

MARCH 1949

Nation's BUSINESS





WHAT USED TO HAPPEN TO SNOW SHOVELS IN SUMMER?

It wasn't good.

But it doesn't happen

with aluminum shovels.

Because ALUMINUM LASTS.

You probably weren't thinking of years of service. You bought your aluminum snow shovel because it was so light, so easy to handle. Nature made aluminum light. But a lot of other things had to happen to make aluminum that would *last*.

Alcoa made those things happen.

A snow shovel needs strength, as well as corrosion resistance. It cost millions to find the right alloys of aluminum for that. Alloys strong as steel, that could be rolled into sheet, for blades; drawn into tubes, for handles; made into rivets, to join them.

Sounds like a lot of work to make a better snow

shovel. Hundreds of Alcoa research people working thousands of hours on alloys . . . hundreds of others spending years on fatigue tests, tensile tests, corrosion tests. But it enables us to say . . . "Alcoa Aluminum lasts!" . . . and mean it.

That means more than just better snow shovels. It means better automobile parts. Better stepladders. Garage doors. Awnings. Screens and storm windows. All the things that didn't use to last, unless you painted them well and often.

That makes things of Alcoa Aluminum worth looking for. Worth buying. ALUMINUM COMPANY OF AMERICA, 1793 Gulf Building, Pittsburgh 19, Pa.

ALCOA

first in Aluminum

THE METAL THAT

Lasts





Spector Motor Service gets 3 and 4 recaps from nylon shock shield tires

THERE are 67 tractors and 200 trailers in the fleet of Spector Motor Service, Inc., Chicago. Their trucks operate on long distance, high speed runs as far east as Bridgeport and New York, over the Pennsylvania Turnpike. Over 1000 B.F. Goodrich tires with built-in nylon shock shields are used on their fleet as well as tires of other makes.

Lee Follis, Fleet Superintendent, a man who knows tires well, has this to say: "In reviewing performance records, one fact stands out clearly; and that is the extraordinary service we have realized from B.F. Goodrich tires as compared to all other brands. Due to the nylon shock shield, we have been

able in many instances to recap a large percentage of tires as many as three and four times. In numerous instances, we have had tires on our free rolling and trailer equipment in service for exceptionally long periods, some as long as 117,000 miles before recapping."

No wonder Mr. Follis believes that BFG tires are the "best on the road."

That's because of the nylon shock shield which absorbs impacts, protects the rayon cord body. Truck owners get a four-way saving: (1) Average tire mileage is increased. (2) Tires have greater resistance to bruising. (3) There's less danger of tread separation. (4) A greater number of tires can be recapped.

The development of truck tires with a nylon shock shield (now available in all tires 8 ply and larger) is typical of the constant improvement being made in all types of tires by BFG. Remember, *only* from B.F. Goodrich can you get truck tires built with nylon shock shields. This costly development costs you nothing extra. *The B.F. Goodrich Company, Akron, Ohio.*

Truck Tires BY
B.F. Goodrich

Nation's Business doesn't publish fiction, but...

Look forward for the April issue of Nation's Business...you'll want to read...

Private property—not so private! Socialism preached for a hundred years in the U. S. drew only 100,000 votes last election... but has come insidiously. Private property is shared among non-owners by social legislation, and wealth redistributed by the government in ten major ways. New enactments by current Congress will bear close watching... See analysis, "Our Rising Welfare State" by Emerson P. Schmidt.

Main Street marches! Industrial decentralization in some dozen fields has gone on rapidly since 1940... changed small town life radically, redistributed purchasing power, will revise marketing programs of many companies... See "The Small Town Hits the Jackpot" by Richard Seelye Jones.

Richer than you know! Estate taxes are computed on current inflated values... and 93% of business men have made no provision for death taxes... Take steps now to prevent undue shrinkage of your estate!... Read "Can You Afford to Die?" by Alan Hynd.



S. i. t. b. e... got us!

John Bassett's whole life has been his job... He resented compulsory retirement, and months before wrote on his calendar pad a reminder for the fateful day... S. i. t. b. e.—Spit in the boss' eye!... But you'll have to read the story to find out what actually happened...

The tragedy of the man who doesn't want to stop work... and the difficulty of enforcing a company policy... is a new problem in many firms today. The solution suggested by this story, we thought, justifies its publication in a business magazine... Make a mental note now—not to overlook...

Out to Pasture

by JAMES A. MICHENER

... first magazine fiction ever published by the author of "Tales of the South Pacific"... Pulitzer Prize winner of last season.

"Only the dull or the dumb can fail to find something worthwhile in Nation's Business"... was the recent comment of a new NB reader. You'll feel well repaid for the time you spend with Nation's Business

for April





When the Telephone Rings

Pop hopes it's a call from Brown & Smith, saying that business deal is OK.

Mom's expecting a call from her mother.

Sis will go into a tailspin if it isn't Harry, who hasn't yet asked her for a Saturday night date.

Buddy hopes it's Joe, asking if he can come over.

Family Story. The story of Pop and Mom and Sis and Buddy is typical of many a family throughout the country. It shows the two-way value of your telephone service. The calls you get are as important as the ones you make—sometimes more so.

Greater Value. Your telephone is more valuable today because there are nearly 40% more telephones—about 9,000,000 more—than three years ago.

You Can Reach more people and more can reach you. The cost is small per call and exceedingly small in relation to the value of each call.

Rates Are Still Low. Telephone rate increases are much less than the increases in most other things you buy. They are far less than past increases in telephone wages, and other higher costs of providing service.

In fact, telephone rate increases average only a penny or so per call.

BELL TELEPHONE SYSTEM





RIGHT NOW...!



—a good Cost Reduction
Plan is the best dollar-for-
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you can make.

WRITE FOR PARTICULARS!

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Nation's Business



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influence

with whole
families



THIS scene is typical. The whole family working together, using Household as a guide.

For Household is a *whole-family* magazine—appealing to Pop, Mom, and kids alike.

Then, too, Household hits straight at the *big-family* market—small cities and towns. (Big? Household parents average over two children per family!)

Most important to you, these are *buying families*—they have more to buy with than ever before. And Household *spurs* their buying... with Idea-Planned editorial features... more than 255 "buy-ideas" per issue!

Add 'em up—family interest, family size, family buying power—and you get *family influence* that counts. Count on Household!

Success is a HOUSEHOLD Word!

1. More than 200 new accounts since new Household format!
2. Advertising revenue up almost a million dollars!
3. Household now in \$2,500,000 to \$3,000,000 class!
4. As much four-color advertising in one Household as used to run in six!
5. Circulation over 2,000,000!
6. Compare Household's cost per page per 1,000—\$2.40 for black and white, \$3.20 for four colors!
7. Advertising revenue up more than 35% in 1948 over 1947!

Copper Publication, Inc., Topeka, Kansas

HOUSEHOLD

*a magazine of action for small
cities and towns*

About Our AUTHORS

WE DIDN'T mean to be confusin' or amusin' when we scheduled the Messrs. Williams for this issue of NATION'S BUSINESS.

Only coincidence and the fact that their stories seemed timely caused three men—unrelated—of the same name to appear in the same month.

FRANCIS WILLIAMS, who discusses the British loan, was editor of the *Daily Herald* of London until 1940, when he became controller of news and information in the Ministry of Information. In 1945 he was chief press officer for the British delegation to the San Francisco conference that drafted the U. N. charter. More recently he was public relations adviser to Prime Minister Clement Attlee at No. 10 Downing Street.

STEVEN CASEY WILLIAMS, who airs the weather question, is a veteran newspaper man. He served on a number of daily newspapers and spent five years with the Associated Press in domestic and foreign service. During the war he did a stint in the advertising business and had a whirl in a public relations firm before turning to magazine writing on a full-time basis.

GREER WILLIAMS started out as a sports writer and wound up a medical writer. He hopes that being mixed up with two other guys named Williams will not cause as much confusion as the Greer part of his name has. Ever since Greer Garson got top billing in Hollywood, he's been receiving letters addressed to "Dear Miss Williams."

WHEN we asked **MILTON LEHMAN** to do a story for us on the vanishing Boston trustee, we thought that it would be a routine assignment. "It turned out to be," says Lehman, "an expedition behind the silken curtain since it meant talking to men who have made it their life's work being discreet and confiden-

tial. Why, one of my interviews no sooner got started than a strange pressure from the seat of my chair impelled me to get up. The interviewee had no automatic reporter-repeller that I know of, merely the most highly developed sense of discretion I've ever encountered."

Fortunately, Lehman is an old hand at nailing down any assignment that comes his way. A look at his record in World War II is enough to convince a Missouri mule. In slightly more than four years in the Army he saw service with some 16 outfits—from the pill rollers to *The*



Stars & Stripes. For his work at the Anzio beachhead as a combat correspondent, and for rushing out the first issue of *S&S* printed in Rome he was awarded the coveted Legion of Merit. And as dressing for his fruit salad, he picked up an invasion arrowhead for his European-African ribbon and seven battle stars.

Today, Lehman is finding out that his new top kick is Ann Helen, his nine-months-old daughter.

TO MAKE notes and sketches for this month's cover painting, **PETER HELCK** left the quiet of his studio in Boston Corners, N. Y., and visited the bustling site of Manhattan's Peter Cooper Village—a project of the Metropolitan Life Insurance Company. As can be seen from the foreground of his painting, he was greatly impressed by the evidence of earlier construction—brick walls, rusted beams, old mains and pipe lines—that was brought to light during the excavation work.

Helck, who has been a consistent medalist at art directors' shows, is a member of the American Water Color Society, Society of Illustrators and the Salmagundi Club.

More Oil...

You wanted it...

You got it...

You'll get still more!

LAST YEAR this country used a lot more oil than ever before. Oil and progress go together.

To help get you more oil, this company and its affiliates last year did the biggest job in their history. Plants and equipment had to be modernized and expanded in a hurry...new wells, refineries, tankers, pipelines—all the things it takes to get you more oil.

This big job could not have been done unless a sound business existed. It took organization. It took money—lots of it—about 100 million dollars more, in fact,

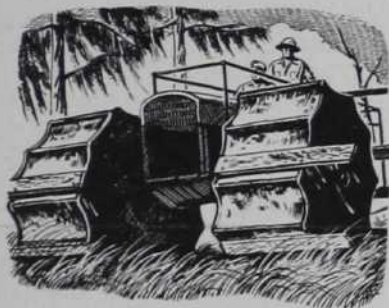
than the entire year's earnings. It used up funds set aside for replacing worn-out equipment. It dipped heavily into savings. It took borrowed money, and money raised by selling assets.

Money made on the job went back into the job.

In 1949, and in the years to come, you'll want still more oil. And you'll get it. At home and abroad, money is being spent today to provide for tomorrow's needs.

The better you live, the more oil you use...

FOR STILL MORE OIL, WE'RE...



Pushing new exploration...



Constructing refineries...



Drilling deeper...



Adding storage and transport facilities...



Building tankers and pipelines...

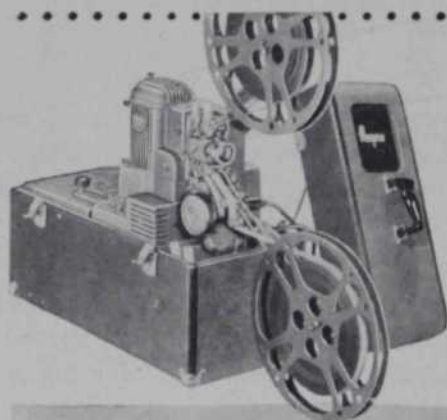


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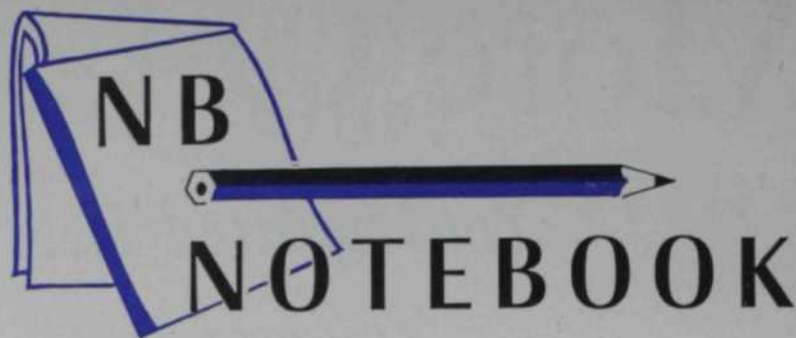
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"In conference"

A BIG vote of thanks will go to University of Michigan researchers if they come up with answers to the conference habit in American business.

Salesmen, in particular, will heartily approve methods to cut down on the number of such meetings when the excuse "in conference" is real, and not imaginary.

The University project aims to find out about the preliminaries to the meeting, the relationship between what happens at the conference and the results, and what constitutes an effective conference. Dr. Harold Guetzkow, assistant professor of psychology, is project coordinator.

Field work will include sitting in on industrial and government conferences and the conferees will be interviewed before and after the sessions. Meanwhile, students will run off conferences and different techniques will be applied. The study is under the general supervision of Dr. Donald G. Marquis, chairman of the University's psychology department.

Fire loss peak

MARCH last year brought the highest fire loss in a twelvemonth which passed all previous years in the value of property destroyed. The 1948 total was \$711,114,000, according to W. E. Mallalieu, general manager of the National Board of Fire Underwriters. The March figure was \$74,236,000.

However, several factors kept the record from indicating what would otherwise be an alarming trend.

Most important was the increased values of property. There were more congestion and concentration of values, as well as a higher occupancy rate in buildings.

The Board calls for still greater effort to improve fire protection,

particularly now that so many heating plants have grown old and electrical circuits are overloaded. In industry, expansion has carried along without adequate fire-fighting extension.

Houses and cars

BACK in 1910 homes and automobiles got off to about an even start as far as costs were concerned. As the Automobile Manufacturers Association points out, a typical five-room frame house cost about \$1,600 and a new car just \$16 less.

Today the same house costs about \$9,000 and the average retail price in 1948 of an automobile was \$1,714 including the excise tax of \$85.

If automobiles were made with the hand tools of 1910, a new car would cost \$60,000, the Association explains. The reason why the modern automobile, which is a far better product in every way than the 1910 model, sells for little more than it did 39 years ago is because machinery was substituted for hand tools.

Some progress has been made in prefabricated building but the industry still waits upon local ordinance and labor regulation changes which will permit home construction to follow the path blazed by the automobile. Larger and steadier employment would result and certainly a happier and more comfortable populace.

Food at sea

TALES of the sea in days gone by were likely to produce a squeamish feeling in the insides of the interested reader. It wasn't so much the roll and pitch of the ship in storm-lashed waters. Rather it was the nauseating detail of weevil-crawling hardtack and maggots beef.

The days of mutiny at sea are over and no statistician is needed

to compare the decline of revolt with the rise in good eating.

Every day more than \$192,000 worth of food is consumed aboard 1,600 merchant ships, according to the American Merchant Marine Institute. It costs \$2.40 a day (at wholesale) to feed a seaman. Bacon and eggs for breakfast, roast beef for dinner and veal cutlets for supper are no novelties. The ships load daily some 3,240 dozen fresh eggs and 2,500 pounds of butter. Lots of farmers don't do as well.

Profit and loss

THE arithmetic of business makes news headlines these days as profits come under searching analysis. Accountants try to reach principles which can be applied to fluctuating inventory costs, to depreciation rates, special reserves for higher replacement expense, etc.

As competition gets keener, more attention will be paid to the profit and loss statement and yet even this compass of the business world is subject to questioning. G. Charter Harrison, senior partner of G. Charter Harrison Associates, Madison, Wis., writing in the bulletin of the National Association of Cost Accountants, declares "there is dynamite in a profit and loss statement for those who do not realize what a dangerous document it can be."

Harrison tells how in the 1929 depression, the president of a fairly large manufacturing company fired half his salesmen because the gross profit they earned for the company fell below their salaries and expenses. The next month all the rest of the salesmen and the company itself were "in the red." The reason was simple. All the fixed charges, carried previously in part by the salesmen who were discharged, were dumped on their fellows.

The same thing can happen in cutting off "unprofitable lines," Harrison explains, as he calls for the segregation of variable and fixed costs in profit and loss statements when planning operations are under way.

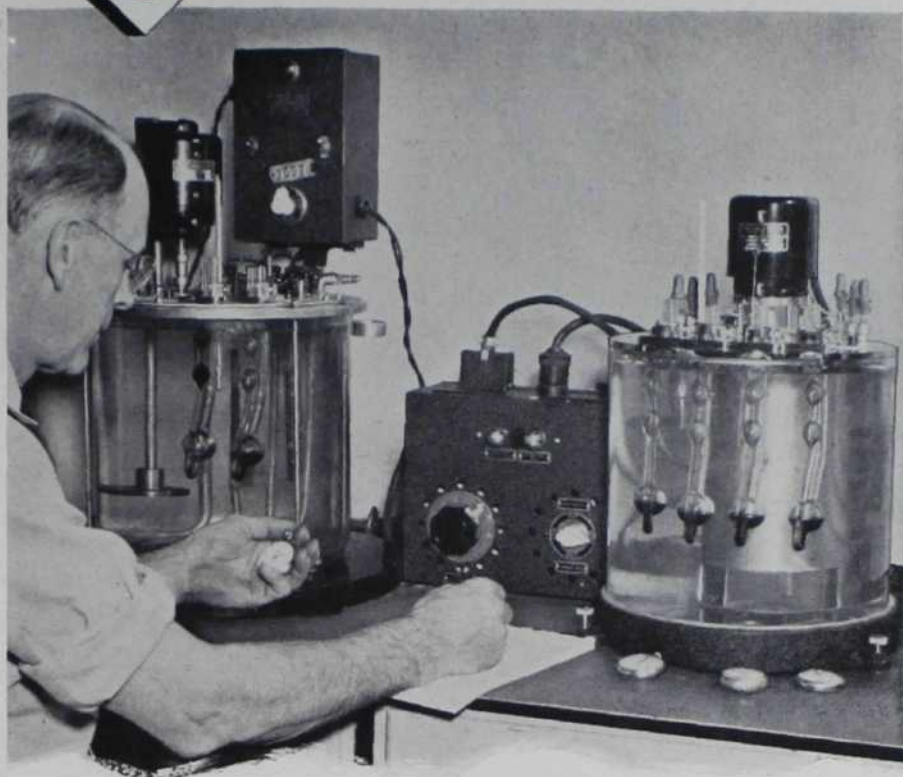
Atomic age begins

THE first peacetime atomic pile will be completed shortly on Long Island in New York. This is the Brookhaven National Laboratory at Upton. The engineers and builders are the H. K. Ferguson Company, which just recently announced that it has formed an Atomic Energy Division.

The major function of this divi-



...Mark of PROGRESS in Railroading



Dietician for a Diesel

"Feeding" Erie's big, brawny Diesel locomotives requires delicate tests. Fuel oil must burn evenly, with a minimum of residue. Lubricating oil must flow freely, yet have enough body to protect vital moving parts.

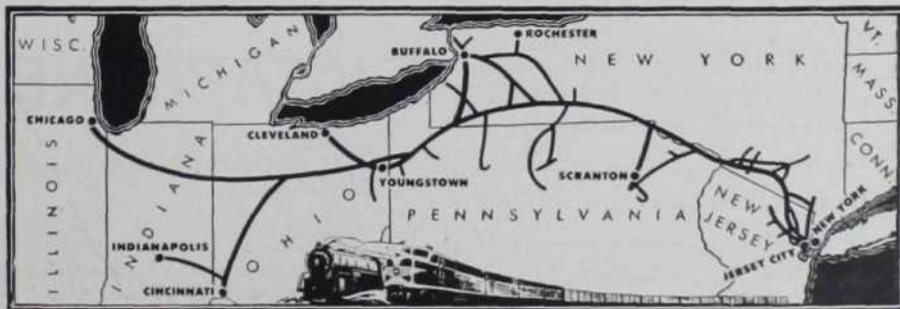
Pictured here is a test typical of the many carried on constantly at the Erie Test and Research Laboratory. Lubricating oil is placed in glass tubes surrounded by water accurately heated to operating temperatures.

Then the chemist, with a stop watch, times the flow of oil from one section of the tube to another and arrives at its viscosity rating.

Paints, coal, metals, water—practically everything used by the railroad is carefully checked by Erie technicians to maintain Erie's high operating standards. It is through such a research program that new and ever improving materials and methods are found to make the Erie a leader in progressive railroading.

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sion, headed by Dr. Karl Cohen of Oak Ridge fame, will be to help bridge the gap between atomic laboratories and the design and construction of atomic facilities. While the division will work for the present with the U. S. Atomic Energy Commission and its subcontractors, the future goal will be consultation with clients who wish to investigate the possibilities and effects of atomic energy applications in their industries.

In short, here is a big construction company making ready to service the peacetime uses of our newly discovered Aladdin's Lamp. The Atomic Age dates to Aug. 5, 1945, when the bomb was dropped on Hiroshima, but the era really begins when ships and planes move and power flows from nuclear energy.

Foremen in the dark

IT HAS been said that "an army is as good as its sergeants." In industry the foreman is the sergeant and he isn't getting as much information as he should from management officers. A survey by the Labor Relations Institute, New York, disclosed that the foremen agreed they were told about working rules and regulations but missed out on some other vital data.

Thus, there were sizable minorities who were not told about new developments in personnel policies, about trends in the company's business, or how to handle employee relations. Most of the companies have communications established between the straw bosses and top management but many of the foremen are unaware of such company efforts.

What this survey seemed to reveal is that too much is still taken for granted in management and labor relations.

The Big Boss once knew all his people by name. Now he doesn't, and substitute measures have not bridged the gap.

Making ready

THE biggest job printing order ever placed in the country required ten carloads of paper and all the facilities of the nation's job printers for two weeks. This was the production of the forms used under the Controlled Materials Plan in the war.

Edward V. Hickey, acting director of production, National Security Resources Board, mentions this as just one of the phases of the defense program which will be

speeded up under the studies now going forward. Paper work slowed down the war effort and so did the constant travel of key industrialists to Washington to get questions answered. For one thing simplified forms will be ready, and for another regional offices will take care of providing information.

The plan worked out for turning "phantom orders" into real war orders ought to save six months to a year in any future mobilization, Hickey explains, on the basis of what experts who were close to the production problems of 1942 tell him.

By his own bootstraps?

WHAT seemed to some observers as an opening gun on nationalization of industry wasn't much more than a little pop.

One of the Truman messages called for more steel production even to the extent of building and owning the needed mills.

The reason why the gun made only a small noise is that it takes steel to make steel. Irving S. Olds, board chairman of U. S. Steel, after citing an expansion of nearly 15,000,000 tons in capacity over the past ten years, said:

"Building further new steel mills at this time is bound to consume large amounts of steel of the kinds now in short supply. Such new mills cannot be built and placed in operation short of two or three years. By that time I am hopeful that the present unbalance between steel demand and supply will have been adjusted."

Other observers think six months will see the balance Olds mentioned.

Six holidays

WITHIN a brief period six paid holidays a year have become major practice in American industry.

In 1946 the National Industrial Conference Board found that 44 per cent of the companies it surveyed were granting the six days. Last year a similar canvass indicated that the percentage had jumped to 64.7 per cent.

These holidays are usually New Year's Day, Memorial Day, July 4, Labor Day, Thanksgiving and Christmas. The percentages for fewer and more days off are all small, so that the six-holiday year along with the five-day week no doubt will become standard practice. For working on the holiday double-time pay registered 66.8 per cent of the company vote.

WARNING!

You're
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business
in an
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...If you trust

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4 out of 10 businesses that suffer a complete burn-out never reopen. Don't let that happen to you!



Safe, efficient Mosler Record Containers come in a variety of durable finishes to harmonize with your office.

HERE'S POSITIVE PROTECTION . . .

Mosler Insulated Record Containers. They provide constant, on-the-spot protection of a one-hour Underwriters' Laboratories, Inc., Class C, tested and approved safe—plus the convenience of a modern, efficient filing system. Insulated receding door locks over file drawers. Fire just can't get in . . . yet, you can have this invaluable protection at a surprisingly modest price.

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Vaults in the World



Builders of the U. S. Gold Storage
Vault Doors at Fort Knox, Ky.

FILL OUT AND MAIL—TODAY!

The Mosler Safe Co., Dept. 33
320 Fifth Ave., New York 1, N. Y.

Please send me:

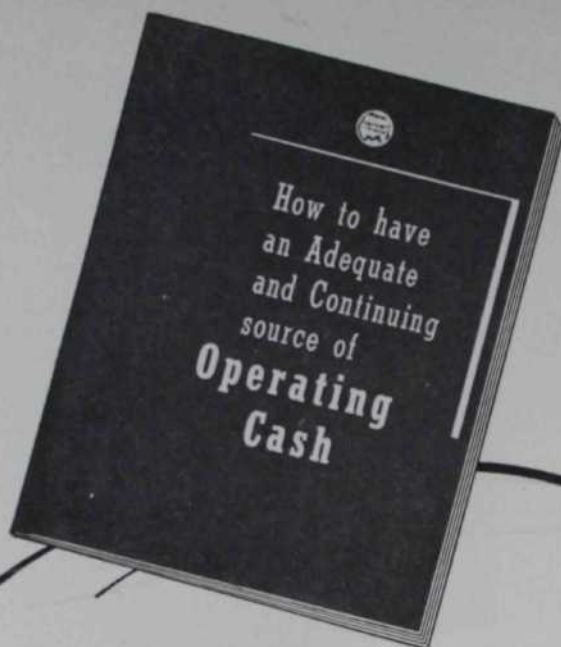
- ☐ The new free booklet "Mosler Insulated Record Containers."
- ☐ The Name of my nearest Mosler Dealer.

Name

Firm

Address

City..... Zone..... State.....



TIMELY!

Send for it today

MANUFACTURERS and wholesalers throughout the country are using hundreds of millions of dollars annually through the Commercial Financing Plan, which our new book describes.

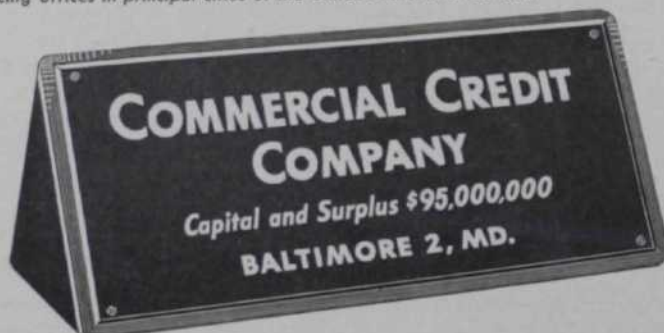
You may find that our plan will give your business *double or triple* the amount of cash available from your usual borrowing sources.

Once set up, our plan operates *continuously*... you can plan ahead with confidence. No worries about renewals, calls or periodic cleanup of loans.

The net cost of using our plan is reasonable because you pay interest on a *day-to-day basis*... only for money in actual use... not on a loan for a fixed amount over a fixed period of time.

These advantages and others are described in detail in our new, timely book... supported with charts, diagrams, case histories. For your copy of "HOW TO HAVE AN ADEQUATE AND CONTINUING SOURCE OF OPERATING CASH," just phone or write the nearest Commercial Credit Corporation office listed below.

COMMERCIAL FINANCING DIVISION: Baltimore 2 • New York 17 • Chicago 6
Los Angeles 14 • San Francisco 6 • Portland 5, Ore... and more than 300 other
financing offices in principal cities of the United States and Canada.



New Challenge for Red Cross

THIS month an estimated 2,000,000 Red Cross volunteers will canvass the nation to raise the \$60,000,000 needed to continue activities for another year.

These activities, as varied as human nature itself, reach into homes, hospitals, Army camps, schools, colleges, industrial plants and business concerns in every community. Through its blood program the Red Cross, for example, saves lives and mitigates suffering by making blood and blood derivatives available to physicians. Its service to veterans in hospitals brightens the lives of patients with activities carried on by thousands of volunteer workers. Its home service helps veterans and servicemen and their dependents.

Not the least of the humanitarian services rendered is its disaster relief. Here the Red Cross swings into action when tornadoes, floods, explosions or fires strike. It sees that food, clothing, shelter and medical care are available; then aids in the recovery of those unable to re-establish themselves.

Last year the Red Cross assisted some 312,400 persons in 303 disaster relief operations. The immensity of this one activity is indicated in the fact that the organization has spent \$16,852,309 in aiding disaster victims in the past two years.

This year the organization faces new challenges. It must not only continue traditional responsibilities to the nation, armed forces and veterans, but also must be ready for future civilian defense work.

**YOU TOO CAN HELP
through RED CROSS**



1949 FUND CAMPAIGN

MANAGEMENT'S *Washington* LETTER

► **BUSINESS STATISTICS** note: Statistics are better than business.

► **FIGURES LAG** behind facts they reflect. Takes time to compile them.

Not until long afterward do they show result of banker's decision today that: "We'll take no more real estate loans."

But effect on real estate market is immediate, may be severe.

Important cancellations in steel orders disclosed by Eugene Grace, Bethlehem Steel chairman, will not show up soon in his production statistics.

But to the companies sending them in they mean cutback production, fewer jobs, lower profits—at once.

During downward trend, statistics always are better than business.

Decisions that wait for the record are likely to be out of date the moment they're made.

► **GOT A REASON?** You'll need a good one if you plan on cutting into the other fellow's business.

Even if you have one, it might not be good enough.

For example—salesman made first real attempt since prewar to sell an account.

Purchasing agent looked over samples, observed that quality was about same as that being used, added that he saw no reason to change from supplier who had been delivering through scarcity years.

"Want a reason?" asked the salesman. "I'll give you one. Ninety cents a hundred." A 5 per cent price cut.

Did he make the sale?

No. But the purchasing agent was quick to let his regular supplier know his price suddenly was above the market.

That's how the other fellow's production can cut your price.

It's typical of the forces that come into play as supply meets or surpasses demand, as competition rises.

Watch for them in your business.

► **WAREHOUSES COMPETE** with factories to supply many consumer durables markets.

That results from production outrunning sales.

Some makers of washers, other household appliances, delayed new models, planned on using them to put new life in sales when demand tapered.

But sales dropped abruptly, warehouses

were filled before production was cut.

Now they have problem of moving old models before manufacturing new.

They'll solve it with prices.

► **THE SOFTER THE GOODS** the softer the prices.

That's what department store buyers find in wholesale markets. They also find increasing number of price breaks on hard goods, those made of metals.

With supply lines full, deliveries prompt, they're buying hand to mouth, letting wholesalers, manufacturers hold stocks.

So stores can't be caught with too much goods in falling market.

Another effect: Manufacturers cut back production, lay off help until inventories are worked down.

Result will be manufacturing matched to consumer sales, with merchants exerting steady demand on suppliers.

You can expect higher quality, lower prices in spring women's wear lines, same trend in nearly all department store lines.

► **SEASONAL FLUCTUATIONS** in business are re-establishing themselves.

Most of them disappeared during war when people bought whatever they could get whenever they could get it.

Return of seasonal trends is traced back to November's slow sales with volume catching up in December. That's typical prewar pattern.

January, February sales also reflect old pattern with soft goods volume rising, hard goods slowing down.

But economists aren't sure just what is seasonal, what is downward trend. They've had no experience with economy of present proportions, doubt its fluctuations will parallel prewar pattern.

They'll have to accumulate figures for several years before they will be able to recognize some seasonal movements.

► **STRONGEST DEFLATIONARY** power Government has is nearing peak force.

It develops in collection of personal, corporate income taxes.

During 100 days ending March 15 Government collects 48 per cent of year's income taxes. Total last year: \$31,700,000,000.

More than \$15,200,000,000 is being

MANAGEMENT'S *Washington* LETTER

withdrawn from private, corporate hands in less than 3½ months.

During that period world's biggest business takes in much more than it pays out.

Flow reverses March 16.

► WITH ONLY SLIGHT hedging, government economists still contend nation's big problem is inflation, not deflation.

Here's reasoning of one in top-level group:

Wages will continue to rise.

Tax increase would offset this inflationary force—but there will be no tax increase.

So higher wages will be translated into higher prices.

Then he adds this thought: Inflationary booms always break while signs point to still more boom—

"So the break might come tomorrow morning. But I don't think it will."

Note: Leon Keyserling, vice chairman of President's Economic Advisory Council, calls current downturn on price charts a "quiggle," says there have been six such "quiggles" since war.

► GOVERNMENT CAN PREVENT or at least ease a downward trend—if it sees it and moves in time. Government can:

1. Expand credit through RFC.
2. Lift present credit restrictions.
3. Launch public works program.
4. Cut taxes.

But question is: Would need for steps to prevent slide be recognized in time?

► UNCERTAINTY BREEDS CAUTION—and caution slows business.

Most banks are cutting back sharply on real estate loans. Others shave evaluations, cut proportion of loan to cost.

So fewer real estate loans go through, more sales are lost. One Washington man has "sold" the same house four times.

Used car financing is slowed by fact that bankers see occasional substantial discounts on new car deals passing through their hands.

On business loans—your record alone isn't good enough. Now the banks do a little crystal gazing into your future.

They check with your customers, ask whether you would be called on for current volume if downtrend continues.

If the answer is no, no loan.

► DON'T WRITE OFF fourth round of wage raises—yet.

Contracts without pay increases have received wide attention. But these have been in textile, some clothing plants.

Negotiations followed slack production, layoffs, short work weeks. They cover caught-up plants.

Contracts coming up this spring in autos, steel, chemicals, cover many times more employees, will be argued against vastly different background—all-out production, still high profits.

Although some unions may concentrate on pension plans, health benefits, other fringe issues, don't overlook fact that these add to payroll, production cost. From your cost angle they're worse. They are more permanent.

► LOOK CAREFULLY at final Senate vote on new labor law.

You'll see likely pattern for fate in Senate of other items in Truman program.

Labor bill vote will show extent of North-South split among Democrats. Also will indicate whether Republican senators will stick together.

Southern Democrats voting with tightly joined Republicans may dominate Senate.

Labor law finally will be written in conference, combining moderate Senate bill, less moderate House bill.

► HOW NEW IS President Truman's Point Four? Its details may be found in report of House special committee on postwar economic policy and planning.

This group, known as the Colmer committee, made its report in 1944. Referring to foreign loans and investments, it said:

"For the U.S. they provide an outlet for excess savings and thus help to keep at a high level the domestic output and employment offered by our free-enterprise system.

"For the rest of the world they provide the means of increasing productivity and raising living standards.

"The U.S. will eventually share in the benefits of higher productivity abroad through the returns on foreign investments as well as through higher exports to these countries."

Hoover had similar ideas in 1928.

► NEW PATTERNS APPEAR in foreign trade.

Most noticeable change: Rising commerce between Great Britain and Latin American countries. Latter supplied almost exclusively by U.S. since early war years.

Some U.S. exporters blame ECA for their falling volume, plan demands on Congress for changes in law distribut-

ing European shipments through more exporters.

Probable answer: ECA is to assist European nations, not U.S. foreign traders.

► **BATTLE BREWS** over industrial protection against atomic attack.

National Security Resources Board promotes decentralization—protection by space.

Westchester County (New York) planning official contends hills would offer better safety by blocking bomb blast.

David E. Lilienthal, Atomic Energy Commission chairman, takes neutral stand, suggests that no single agency can evaluate all factors involved.

Actual experience: Deaths in Nagasaki were proportionately half those in Hiroshima, which is flat.

Ridges divided Nagasaki into sections, tended to contain bomb effect.

► **LABOR UNIONS'** TRADITIONAL resistance to advance in building may be cracking.

That's significance construction men see in acceptance of Building Research Advisory Board membership by Richard Gray, AFL Construction and Building Trades president.

Board was set up (at instigation of construction industry) to stimulate, coordinate technical research in field.

It's headed by Dr. Frank Jewett, former director of Bell Laboratories, once president of National Association of Sciences.

► **FEDERAL REGULATION** of life insurance companies may be the ultimate aim of investigation move now under way in Congress.

Sen. Pat McCarran, Rep. Emanuel Celler sponsor move to investigate life companies "with particular regard to applicable antitrust laws."

McCarran Act of 1946 holds antitrust laws do not apply to insurance companies to the extent they are regulated by states. It also reiterates states' rights to regulate (and tax) life insurance business.

So present move appears to be check-up on how states are doing the job. Result might be used for basis of campaign to switch control to federal Government.

The 500 U.S. life insurance companies are reported to have little or no objection to such a change. But they want one or the other—not both.

Greatest opposition probably would arise from states now collecting about \$300,000,000 annually in insurance taxes.

New York legislature investigated

MANAGEMENT'S

Washington

LETTER

life companies last year, found them "very well managed."

Inquiry centered on companies' investments. Largest direct loan disclosed was Metropolitan's loan of \$100,000,000 to an oil company for foreign development—like that suggested in President Truman's Point Four.


► **HUGE FLOATING** dry docks, towed around the world for war service, are being brought home to work. Maritime Commission indicates it will use them to dry-dock 2,300 reserve freight vessels for bottom preservation treatment. Private shipyards object that program opens door for more government shipbuilding and maintenance. Commission denies this. Says towing ships to private yards instead of using floating docks would double cost of program.

► **MIDWEST FARM** support last November was no accident, according to Democratic leaders. They think it can be won again in '50 and '52.

Brannan, Secretary of Agriculture, urges social parity as well as price parity for farm dwellers. Cites medical, housing, education and cultural lag in rural areas.

With dirt farmer in White House, ex-Secretary of Agriculture Anderson in Senate and Brannan as administration idea salesman, look for plenty of farm bloc support against any long recession in rural prosperity.

► **BRIEFS:** Self-service stores are getting 75 per cent of the dollars spent for food....U.S. domestic use of electricity has nearly doubled in past 10 years....England's free health service is costing over \$1,000,000,000 a year—more than twice original estimate....U.S. brass mills will produce this year about 10 per cent less than 1948's 2,150,000,000 pounds. Compares with 1,250,000,000 in 1939....Night maids in a leading Washington hotel aren't sure it pays to get pay raises. They've had three in three years. During that time rooms each must care for has jumped from 24 to 60....False teeth sales held up well in January, fell off last month. Complains representative of one national distributor: "People are spending all their money for television."



"Fastest service I've ever seen!"

SEE WHAT NATIONAL MECHANIZED ACCOUNTING CAN DO FOR YOUR BUSINESS

Speed . . . that pleases customers . . . holds down clerical costs . . . cuts costly overtime . . . improves working conditions! That's what National Mechanized Accounting offers you . . . whatever your business may be.

Concerns of all sizes and types report savings of 30% or more. These savings—made possible by National's *exclusive* combination of advantages—often pay for the entire National installation within a year.

Mechanization is the surest way to meet rising accounting costs. Ask your local National representative—a systems analyst—to study your present accounting methods and report the savings *you* can reasonably expect. No cost or obligation.

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO

National
ACCOUNTING MACHINES
CASH REGISTERS • ADDING MACHINES

TRENDS



OF NATION'S BUSINESS

The State of the Nation

THE REASONABLE pride which Americans take in material production is accurately reflected in the advertisements of this or any other leading magazine. Often these advertisements deserve to be called artistic. The illustrations are imaginative and compelling. The reading material is clear, concise and carefully edited.

In recent years the preparation and adornment of this "copy" has come to be regarded as a distinct profession in the United States. And the concentration of talent, to say nothing of financial investment, in the advertising profession is now considerable. Moreover, it is no longer a matter of mere merchandising. The element of good will is very much involved. In consequence, advertising, in the minds of at least some of its proponents, is becoming expressive of a philosophy of life.

So it happens that the word "advertisement" is no longer really generic enough to describe fairly both the full-page magazine layout of a great American corporation and the rudimentary notices which pass currency in other lands. The insertion of a London undertaker in a newspaper of some years back was magnificent, but scarcely advertising as we now understand the word. This notice said simply: "Why live, when I will bury you for five guineas?"

• • •

It is the nation's business to see that this republic shall grow in spiritual as well as physical

strength, for these two forms of national power are in the long run indivisible. Therefore, those concerned with the state of the nation may profitably spare a thought to the advance in advertising standards. It is not happening accidentally.

Obviously, the developing techniques continue to root in the simple desire to expand sales. But, scarcely less obviously, some contemporary advertising represents and conveys additional compulsions. To inform potential buyers that something allegedly desirable is available in the market place is no longer enough. The new approach is, rather, to explain the role and import of the advertiser in a complex civilization.

Consequently, the old legal maxim of *caveat emptor*—"let the buyer beware"—has lost much of its ugly meaning. The buyer has less need to be on guard when the seller is honestly seeking to justify his place in national and world economy.

The primary reason for this remarkable development in advertising techniques is competition. But the old competition of the *laissez-faire* period did not of itself serve to raise advertising copy to a level comparable with that now beginning to be attained. The evidence here is in the files of any nineteenth century magazine. If the ethical note is now tentative, and sometimes not a little falsetto, it was then completely absent. Business had to be confronted with a new, and deeply disturbing, form of competition before advertising sought to convey a deeper message.

There can be little doubt that this morally energizing competition has been provided by

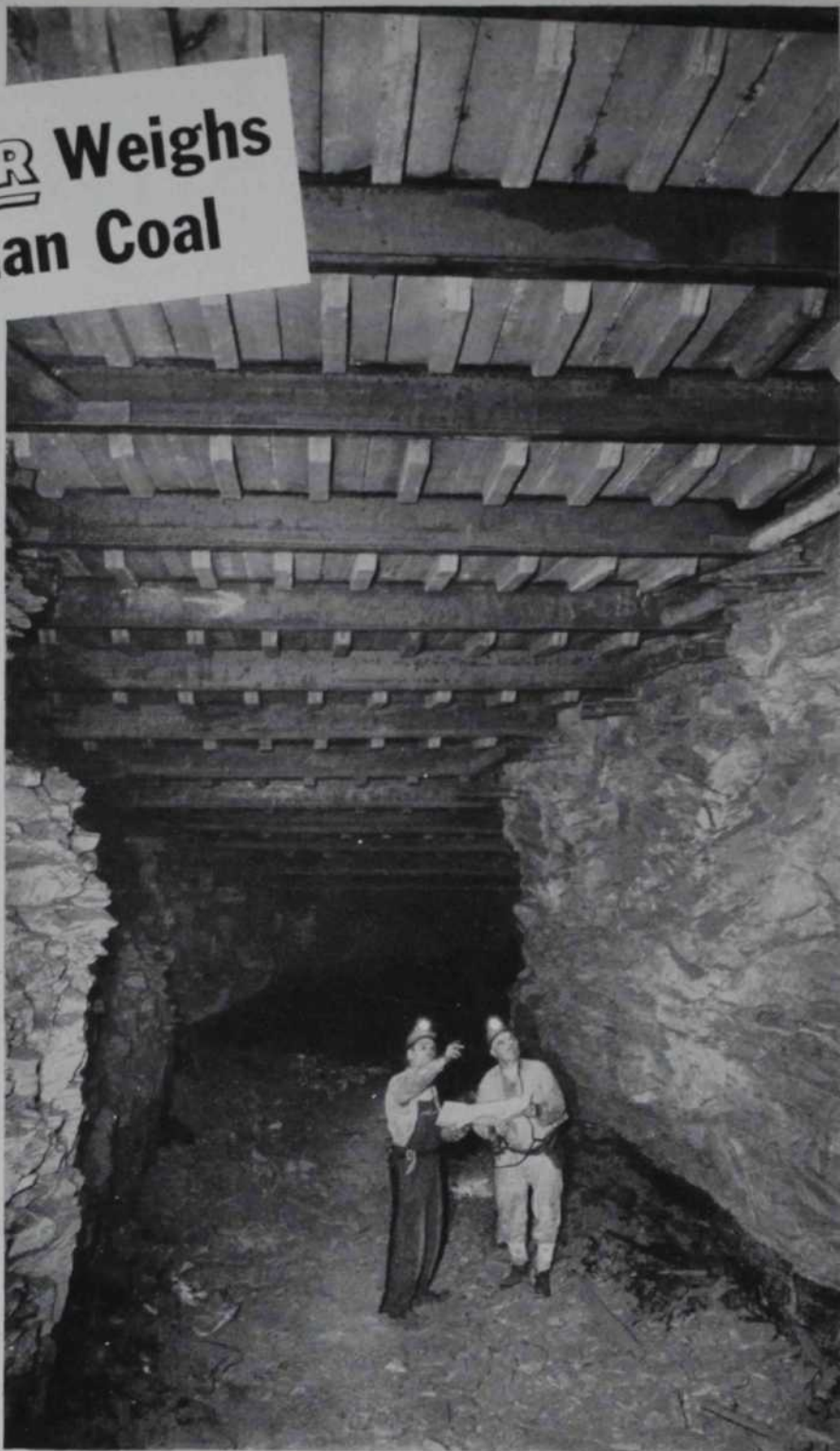
Where AIR Weighs More than Coal

In modern coal mines, for ventilating purposes alone, more tons of air are pumped in each day than tons of coal brought out!

To bring fresh air into mines and exhaust it again at the surface calls for a tremendous investment in construction and equipment—as the ventilating “overpass” shown here clearly indicates.

Blasted out of solid rock, roofed with steel beams and concrete slabs, it carries intake air over the mine haulage way which also serves as a giant exhaust duct.

Developments like this are typical of the improved conditions under which modern miners work . . . and indicate, too, the extent of the industry's billion-dollar, three-year mine modernization program.



BITUMINOUS COAL

BITUMINOUS COAL INSTITUTE

A DEPARTMENT OF NATIONAL COAL ASSOCIATION
WASHINGTON, D. C.

Modern production facilities have come a long way—largely because of the mechanization program sponsored by progressive coal operators. Right now the industry is investing in new machines, new mines, and new preparation plants at a rate amounting to over a bil-

lion dollars in the next three years alone. Thanks to investments in new equipment and mining methods, today more than 91% of all bituminous coal mined underground is mechanically cut, and about 60% is mechanically loaded. Less than 3% is now mined by pick and shovel.

BITUMINOUS COAL . . . LIGHTS THE WAY . . . FUELS THE FIRES . . . POWERS THE PROGRESS OF AMERICA

governmental intervention. The moral stimulus to private enterprise is a by-product of the socialistic trend which has received relatively little consideration. Argument has centered on the efficiency of a governmentally planned economy; on the justice or injustice of competition from the state; on the relative advantages of social security and economic freedom—even on the philosophic issue of whether personal security and individual liberty can actually be reconciled.

In all this controversial hubbub, however, a new and notable social phenomenon has been largely overlooked. And this is the response of American business to the moral challenge of the welfare state. The "new look" in advertising is not the only illustration of this response. But it is a form of response which is apparent to everyone, and in consequence is too much taken for granted.



American business has little need to defend itself on grounds of efficiency. No other country, now or in any other period of history, can show anything comparable with its productivity.

Therefore the effort of management to present a moral justification, in the face of increasing governmental pressures, is the more interesting. And this current reaction has a good deal more significance than meets the eye. Many a business leader would explain his new concern with moral issues by saying that he seeks to "get out of the doghouse" to which the New Deal successfully consigned him. When this motive is generalized, however, a rather remarkable pattern begins to take shape.

Many historians have found a connection between the rise of free enterprise and the decline of religious faith; for instance, Brooks Adams, in his too much neglected study of "The Law of Civilization and Decay." Discussing the Reformation in England, Adams asserted flatly that: "Nowhere has faith withstood the rise of the mercantile class." And again: "Wherever civilization has reached the point at which energy expresses itself through money, faith must be subordinate to the representative of wealth."

Of course it is hazardous to attempt to draw sweeping philosophic conclusions from the content of the newspapers. But, in a period of the most profound dislocation and realignment, it may even be more hazardous to close one's eyes to evidence that fundamental forces are at work. Americans do not customarily err by reflecting too deeply on the inner meaning of current events. More mistakes are made—as demonstrated on the first Tuesday of last November—by failing to think critically for oneself; by relying on purely mechanistic surveys of other people's opinions.

So it may be suggested that a "mercantile class," inclined to dispense with spiritual faith as an unnegotiable form of credit, is now groping its way back to the fundamentals on which our

civilization itself rests.

Brooks Adams wrote his thought-provoking book in the early '90's, at a time when the belief in quasi-automatic progress was scarcely questioned. Perhaps for that reason "The Law of Civilization and Decay"

was largely forgotten—until republished by Alfred Knopf during the latest war—even though it clearly blazed the trail for Ortega, Spengler, Toynbee and other European historians. Capitalism, Adams concluded, is a materialistic system. Materialism, he asserted, first fetters and then destroys the human imagination. Faith succumbs to what are called facts, which in true fact prove to be both spiritually unsatisfactory and materially unreliable.



Nevertheless, the stimulated passion for possession and display feeds on itself, leading to the demand that government give all men gratis the benefits accumulated by many under private enterprise. This demand furthers what Adams calls "concentration." Political centralization, however, serves only to accentuate the disastrous trend away from real creativity; toward standardized mediocrity. Far from being a panacea, socialism serves only to complete the process of decay. There were shouts of anguished protest throughout the United States, when, in 1896, this member of the famous Adams family attacked the whole theory of progress through satisfaction of material desires. But "The Law of Civilization and Decay" has outlived its critics.

The basic point in the Adams' argument is perhaps the most controversial of all. He emphasizes "the exceedingly small part played by conscious thought in molding the fate of men." In his preface he asserts that: "At the moment of action the human being almost invariably obeys an instinct, like an animal; only after action has ceased does he reflect."

To that sweeping indictment, strong exception may properly be taken. Instinct certainly plays a large part in determining the action of the individual in any sudden emergency. But if the emergency is protracted and general, like the one which western civilization now so evidently faces, then it is likely to stimulate the reflective capacity of man.

The reflective capacity of the leaders of American business is now being tested, more severely than in any other period of our national history. And in this context the changing character of business advertising appears as one of the signs that maximum challenge is beginning to produce a really significant response.



—FELIX MORLEY



Yes sir, that's my baby!

Of course, no truck driver loves his truck as he loves his child.

But let's not fool ourselves, either. Ask any driver of a Dodge "Job-Rated" truck. He'll tell you that he takes *real* pride in his truck!

Why shouldn't he? He *knows* his truck fits its job. He *knows* he has



the right power for any emergency . . . with economy that doesn't require a gas station stop a couple of times a day.

He knows his truck has exactly the right load-carrying and load-moving

units for maximum efficiency, with his loads over *his* roads. He *knows* it's the easiest to handle of any truck.



He can turn at a 37° angle, either right or left. He rides on the cushioned comfort of "Air-O-Ride" seats. He enjoys perfect vision . . . in all directions. He commands the safest brakes ever designed.

For the good of your business...



switch to **DODGE**
"Job-Rated" **TRUCKS**

Unless YOU have heard the Dodge "Job-Rated" story in detail—and actually experienced what a "Job-Rated" truck means to you in *economy* of operation, in *ease* of operation, and in *long life* . . . you'll find it profitable to talk it over with your Dodge dealer.



After all, it's **YOUR** money. So if you can **SAVE** money with a "Job-Rated" truck, that's the truck you want to **own** . . . isn't it?

FOR THE LOCATION OF YOUR DODGE DEALER, CONSULT THE YELLOW PAGES OF YOUR PHONE BOOK

The Month's Business Highlights

AN ADJUSTMENT is taking place in our economy but there is no logical reason why it should degenerate into a depression. All of the factors which make for active business are still here—plenty of money, high income, shortages of many materials, shortages of numerous manufactured products, large government expenditures, active exports, low money rates.

While consumer resistance has intensified, it is difficult to picture a situation in 1949 that will force any abrupt decline in the average of prices. Competition is reappearing and is on the increase. A buyers' market exists in many lines. An approach to a buyers' market can be foreseen in other lines. Food and nondurable manufactures probably have passed their peak but wage increases and other factors are likely to cause increases in various other prices.

A favorable phase of the situation is that most reductions have been in the prices that had gone up farthest, thus bringing about a more reasonable and a more tenable price structure.

A few months ago, when inflation seemed a greater threat than now, there was clamor for lower prices. Now that some adjustment downward is taking place, politicians who were loudest in demands for drastic action to reduce prices are advocating measures that will stop the trend.

Nothing is more fundamental than prices. They influence such important things as industrial production, construction, agricultural planting and bank credit.

Prices are a result of demand which comes from four major sources: government, business, foreign countries and consumers.

Demand from government sources will likely increase in 1949 because of defense requirements and the urgent need for public works in states, cities and towns. States and municipalities are all set to spend a lot of money.

On the business side, expansion of production facilities is expected to decline. Expenditures for plant, for equipment and for residential housing will remain high but will be less than in 1948.

On the foreign side, exports in 1949 probably will be less and imports more. The general effect of the foreign situation will be to relieve pressure on prices. The net export demand, how-

TRENDS



OF NATION'S BUSINESS

ever, will have an important bearing on the level of total demand.

It is the volume of consumer demand which is the big question mark in the situation. Consumers easily could buy more in 1949 than in 1948, but any material decline in income might be a signal to stop buying—

which might in turn cause trouble. Even were consumers and business leaders to decide a slump is coming it would be difficult for them to bring about a substantial depression because too many influences are pulling the other way.

• • •

Consumer expenditures are not as closely related to income as was the case before the war. Liquid assets in the hands of individuals are four times greater than prewar. At the same time, the amount of consumer credit outstanding is proportionately less than prewar. Failure to recognize that consumers were in a position to continue to buy, even when temporarily unemployed, was responsible for the bad forecasts made at the end of the war.

Farmers have \$20,000,000,000 in cash and government bonds as compared with \$4,000,000,000 before the war. They could pay off all their debts and still have twice as much in liquid assets as prewar.

Liquid assets held by consumers generally are widely distributed. There is no indication that they are being sucked into the hands of a few.

The underlying strength of consumer demand is indicated by the ready response to bargain sales. Consumers' incomes still are at a high level. Personal income has risen steadily since 1939 with the exception of a slight dip in the latter part of 1945 and in the early months of 1947. A sort of balance was reached between supply and demand in 1948 but at a high price level.

Prices have increased in varying amounts which creates distortions. The fact that the ratio of savings to income is increasing is evidence of resistance to prices.

Unless wage demands are held down and man-hour productivity is increased, the whole tendency will be to cut back production until high-cost goods are sold rather than to lower prices.

Agricultural products constitute an important factor in shaping national price trends. They foreshadow the movement of stickier prices. Even

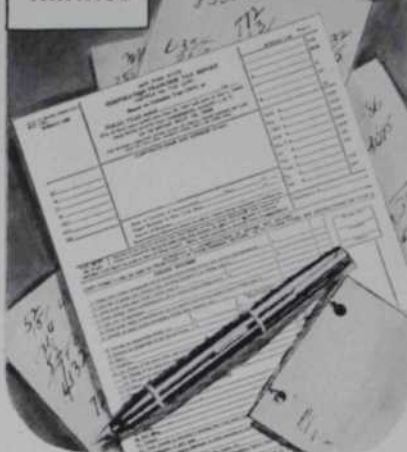
How much do you know about New York State?

AS A MARKET



1. If you're expanding your business, take a tip from 132 well-known companies announcing expansion plans in N. Y. State. How much investment do these plans call for, in millions?
☐ \$100 ☐ \$242 ☐ \$298

TAXWISE



2. The merit system of unemployment insurance has saved New York State employers \$300 million in three years. How much have N. Y. State corporation taxes been reduced in the past two years? ☐ 10% ☐ 15% ☐ 25%

LABOR SITUATION



3. N. Y. State has a diversity of skilled labor unequalled by any other, and the stay-on-job record is tops among industrial states. What percentage of the nation's skilled labor is located here? ☐ 7% ☐ 10% ☐ 12.5%

TRANSPORTATION



4. To move your goods, New York State offers 63,965 miles of highways, 7,639 miles of railways, 907 miles of inland waterways. What's your guess as to the number of airports for hurry-up shipments? ☐ 100 ☐ 190 ☐ 290

FOREIGN TRADE



5. If you trade abroad, N. Y. State is your ideal location—with complete financing, insurance, warehousing, harbor facilities. How much of the nation's foreign trade did N. Y. State handle in 1947? ☐ 22% ☐ 43% ☐ 50%

SPECIAL INFORMATION



6. New York State's Business Information Service will gladly give you detailed data on matters pertaining to your particular business. Write: Commissioner, Dept. of Commerce, Room N3, 112 State St., Albany 7, N. Y.

Answers:

1. \$298 million expansion plans. 2. 25% reduction.
 3. 12.5% of all skilled labor. 4. 290 airports. 5. 50% of the nation's imports and exports.



NEW YORK
means business

at present levels, agricultural prices are encouraging expansion of acreage. Intentions to plant are not yet definitely known but a substantial increase is expected. Yield is something else again. In that, weather is the major factor.

In the event of a good crop year, the ratio of prices received to prices paid well may be at the parity level or lower by the end of 1949. Livestock prices have been holding up parity. Bad weather in the west will reduce still further the numbers of cattle and sheep but this may be offset by the big pig crop which will come in this autumn. Nevertheless, the farmers can continue to get parity. This year is expected to be a good year for them. The adjustment of prices of farm products is coming at a time when farmers are in a financial position to handle it.

Many complaints are being received about Regulation W but the general feeling is that it is bad to encourage the overobligation of income, particularly when so much real estate is being held on thin equities. Inventories are being shortened and more and more dependence is being placed on hand-to-mouth ordering. While basic commodity prices are well under 1947 levels, they are still 200 per cent higher than prewar.

Oil supply from domestic sources is expected to reach 7,000,000 barrels per day by 1953. There has been a big increase in refining capacity. Bank credit expansion has slowed down. There was an over-all increase in 1948 but the rate of increase was less.

There is a tendency on all sides to avoid looking ahead. So many problems are looming up that the natural thing to do is to try to overlook them. Unfortunately, problems do not vanish because they are ignored. They grow more difficult if they are not dealt with promptly.

The President has announced his intention of meeting any increase in expenditures with additional taxes. The chances are against getting the \$4,000,000,000 tax increase he has requested.

The world outlook is improving. A more conciliatory attitude on the part of Russia comes at a time when the State Department portfolio is in the hands of a man who sincerely believes it is possible to reach an understanding with the Soviet authorities. There is nothing in Dean Acheson's record to indicate that he would stoop to appeasement. On the contrary, he always has been an advocate of political firmness. He has had enough business experience to recognize also that economic strength is an equally important factor making for peace.

Because of its important bearing upon the domestic economy, business will watch with interest the policies the new Secretary of State will advocate. Acheson long has been of the opinion that there are practical, workable ways of avoid-

ing a war which no one wants. Russia is poor, mismanaged and unhappy but Secretary Acheson is an unemotional realist who recognizes that the U.S.S.R., even with those handicaps, is too strong to be trifled with. He thinks the Russians also realize that the United States cannot be pushed around. Because of the shrewd realism behind Soviet fanaticism, Secretary Acheson apparently feels sure the Kremlin will do nothing as silly as to start a war with the United States.

Business observers regard Soviet efforts to placate the satellite countries as a favorable development. It shows that the effectiveness of the Marshall plan is recognized and that Russia must follow suit and do something of the sort for the countries in its orbit. There is nothing in that activity that should breed war. At the same time, Russia has reached the point where it will have to do more for its own people or the people will find a way to get rid of their masters.

The cost of living continues to decline. In addition to price reductions, there are quality increases. Running counter to the reductions, however, is the price of wool which recently hit an all-time peak. The price of steel scrap is down. Metal prices are steadier. Nearly all agricultural products are riding support prices.

Congress and the public have a better understanding of the accounting methods of corporations as a result of the hearings before the Flanders subcommittee of the Joint Committee on the Economic Report. The printed hearings, available on request, should be a part of every business library. The highlight of the hearings was Sumner Slichter's striking statement that American corporations in the past three years have overstated their profits by \$16,400,000,000. What he says to support that thought should be read by stockholders who think they should have more dividends, wage earners who think they should have more pay, lawmakers who think more taxes should be collected and consumers who think there should be more price reductions.

Compulsory competitive bidding for private issues of securities would not insure fair treatment of the investor. Commissions charged with protecting the investor have ample authority to act whenever they find fraud or favoritism. One trouble with too much law is that it offers legal protection for those who wish to take unfair advantages. They manage to comply with the forms of law even though they violate its spirit and defeat its objectives.





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Washington Scenes

WHAT the Republican party needs, they are saying here now, is better salesmanship. The idea is a belated one growing out of the 1948 election; specifically, out of the example of President Truman, now acknowledged by his opposition to be one of the greatest political drummers of all time.

There is some difference of opinion as to who is to be the G.O.P. sales manager; also as to just whose political wares are to carry the party label. However, all agree on the need of a more high-powered selling job.

Sen. Homer E. Capehart of Indiana laid the salesmanship argument right on the line at a recent Republican powwow. A business man and manufacturer, well known for his phonographs and radios, the Hoosier statesman spoke with some authority when he exclaimed:

"We Republicans are the world's worst salesmen! The world's best salesman is Harry S. Truman!"

Capehart insisted that the Republican party had a good product to offer in the last campaign—the record of the Eightieth Congress. Yet, he said, instead of telling the American voters about that record, "all we did was talk about love and unity." Meantime, Salesman Harry was doing a terrific job out on the stump. For example, Capehart said, he sold the idea that the Eightieth Congress had "stuck pitchforks" in the farmers—an argument that probably was decisive in the election.

Well, the Republicans are telling themselves now, it's going to be different in the future. They have a lot of fight left in them; this is borne out not only by the way they have been fighting the Truman program but by the way they have been fighting among themselves. They have a balance in the party treasury of about \$500,000, and are confident that plenty more will be forthcoming. They are determined that a good part of the money will be earmarked for an all-out sales campaign.

What will they offer the voters? The answer, inevitably, is the record that the Republicans make in the Eighty-first Congress. That will determine the battle lines in the 1950 campaign, when one third of the Senate seats and all of the House seats again will be at stake.

Right now the Republicans are feeling pretty good about the way things are shaping up on Capitol Hill. If they can keep their own ranks



closed, and attract enough southern Democrats, they believe that they can give Mr. Truman a licking on labor and tax legislation.

In advance of a showdown on these vital measures, plans are being made to acquaint the American people with what the Republicans in Congress are

doing. House Republican Leader Joseph W. Martin, Jr., has set up a committee on public information. This committee, with a staff of well-paid publicity experts, will see to it that an appropriate barrage is laid down for the 1950 battle.

"We will put our case before the country this time," Leader Martin says. "I don't think that for the past three or four years we've been selling our case. The record we made has been distorted and unfairly represented. It's time we took matters in our own hands and let the people know where we stand."

Martin would deny that this is an oblique attack on Gov. Thomas E. Dewey. Be that as it may, plenty of others believe, and say bluntly, that the New Yorker made a serious mistake by failing to make a more vigorous defense of the Eightieth Congress when Mr. Truman was on his give-'em-hell rampage.

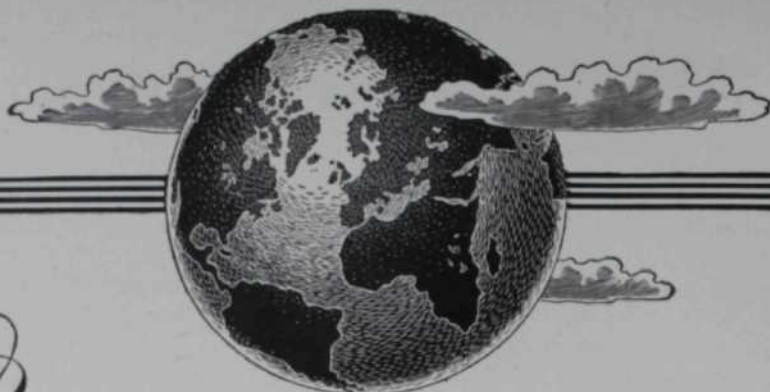


This raises a question alluded to at the outset: Who is to be the Republican sales manager in the years immediately ahead?

Governor Dewey still is the "titular leader" of the party by virtue of the fact that he was the 1948 presidential nominee. But a large segment of the party does not care to have him as a party spokesman laying down doctrine. This was shown at the meeting of the Republican National Committee in Omaha, where Dewey's hand-picked chairman, Hugh D. Scott, narrowly escaped being ousted.

Sen. Robert A. Taft of Ohio probably has more prestige among party workers today than he ever had. He is especially popular with those who grumble over what they call Governor Dewey's "Me too" attitude toward New Deal reforms. In time, perhaps, the forthright Ohioan will be accepted as the authentic voice of the G.O.P. However, that time is not yet. He, too, has his foes, as was shown when a band of self-styled progressives tried to topple him from his post as chairman of the Senate Republican Policy Committee.

Actually, the confusion of voices in the Republi-



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can party is so great today that it is futile to talk of a sales manager.

In the words of Governor Dewey, the party is "split wide open." He thinks this fact has to be faced squarely before any headway can be made. It would be fatal, he thinks, if either extreme in the party should gain dominance—the extremes being represented on the one hand by ultraconservatives who want to "turn the clock back," and on the other by those who would accept the New Deal in whole and go beyond it. Dewey prefers a middle road, but offers no program except the 1948 G.O.P. platform.

Not only the leaders but rank and file Republicans have been tackling the question: What's wrong with the Republican party and what must it do to win? Thousands of letters, mostly from nonprofessionals, have been pouring into G.O.P. national headquarters since the election.

Speaking in very general terms, the letter-writers divide into two groups. One group argues that the party ought to stop being a "Me too" party and emphasize "constitutional government" and "free enterprise." The other group says these are merely clichés of failure, and thinks the party ought to accept the best of the New Deal reforms and go on from there.

This latter viewpoint probably is best expressed by Gov. Val Peterson of Nebraska. To start with, he thinks it is useless to offer alibis for the November election or to attempt to explain away the outcome. He has concluded that there are now, under normal circumstances, more Democrats than Republicans. He has concluded, further, that the only real chance the Republicans had in 1948 came from the split in the Democratic party—and "that was not enough."

"If we are to win," Governor Peterson says, "we must offer a positive program rather than a negative one. It is unlikely that we can win merely by condemning every policy of the federal Government in recent years, by calling up the specter of communism, by sneering at the New Deal and casting aspersions upon the Roosevelt family. We must offer something that will appeal both to the intelligence and the interests of the independent or middle-of-the-road voter, and not spend all our time appealing to those who already strongly dislike the Democratic party. . . ."

The Nebraskan does not think that the Republicans should try to compete with the Democrats in the distribution of direct financial benefits, but he adds:

"We do need to convince the American people that we have a decent and humanitarian regard for their interests, regardless of the social and economic level which they may occupy. We need to convince them that, if we were in control of the Government, we would not stand idly by in the case of a national economic emergency and merely wait for problematical economic laws to

work themselves out."

The extreme right wing of the Republican party might find much of this, including the tone, hard to accept but all factions agree on the need of telling the Republican story and the need of putting up a battle. No great cause, they say, can be won without a fight. In this connection, National Chairman Scott quotes a saying of Lord Bryce:

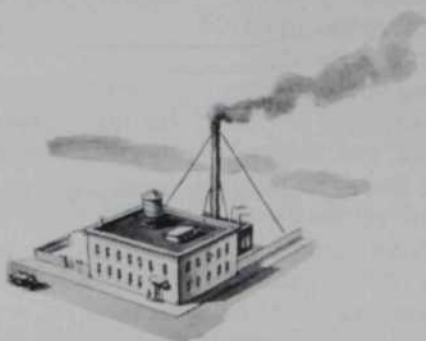
"Politicians fail more often through timidity than by rashness."

• • •

Washington splinters: President Truman and former President Hoover appear to be good friends again, if, indeed, it was ever otherwise. A story went the rounds here that Hoover was pained because Mr. Truman dug up the "1929 panic" as a campaign argument. If that was so, he should have known that the Missouri warrior is not one to pass up any argument when he is in political battle. The President has been known to say privately that Hoover is a good man who had a lot of hard luck in the White House. Lately, he has been praising him for his "great" job on the government reorganization plan. . . . Secretary of Defense James Forrestal is expected to leave the Cabinet in the not-too-distant future. When he does leave, he will get a resounding "Well done" from his chief. . . . The fight in the Republican National Committee at Omaha, from all indications, still has a round or two to go. The most amusing aspect of the fracas was the discovery by the Republicans that they felt better for their battle. Probably a reaction to an overdose of "unity." The Democrats discovered long ago that a good internecine battle was no obstacle to victory. There is a saying that a fight among Democrats is like a cat fight; after it's over, there are always more cats. . . . Senator Taft's campaign for re-election in 1950 is expected to be the most exciting contest of its kind in modern political history. Labor leaders have tagged him as No. 1 among those they want to defeat. They probably will pour money into Ohio when the time comes. Taft, if he is willing to accept them, doubtless will get contributions from well-wishers all over the country. . . . President Truman is acting like most men act when they get a raise in pay. He talks a good deal about putting in overtime, and seems just a little apologetic when he goes out at night to a banquet. Incidentally, when he does go to a banquet, it requires something like 200 men—Secret Service agents, plain-clothes detectives and Washington policemen and firemen—to guard the hotel and handle traffic.

—EDWARD T. FOLLIARD





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President



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SPECULATE or Stagnate!

By FRANCIS ADAMS TRUSLOW

President, New York Curb Exchange

I HAVE A friend who manufactures razor blades. Recently new machinery was developed for one phase of his operations which would make it possible to get as much production from a few machines occupying a portion of one floor as he had previously obtained from machines occupying three whole floors. My friend bought the new machinery, and scrapped the old. That new machinery cost money—money that had to be risked on the future prospects of the business and the chance that the new machinery would pay off in profits.

This is just a typical sample, of course, of a process which has been continuous through our years of ever-increasing productivity. Not only new machines but completely new products are constantly being invented and developed. To keep our economy expanding we must be continually converting inventive genius into new tools and replacing the ones that have worn out or gone out of date. This modernization, replacement and expansion require a lot of money—venture capital.

In these postwar years, such capital expenditures by business have reached new records: \$14,500,000,000 in 1946, nearly \$18,000,000,000 in 1947, and an estimated \$19,000,000,000 in 1948. Set against the \$13,500,000,000 spent in the boom year of 1929, these figures may seem high, but they are not as high as they seem. In 1929 our gross national product was only about \$100,000,000,000; in 1948 it approached \$250,000,000,000. In the meantime our labor force has increased by 12,000,000, our population by 20,000,000, and our plants and equipment have been through a long period of depreciation when almost nothing was spent on them. The postwar spurt in capital expenditure was long overdue, and could have been considerably greater than it has been, to advantage.

Even so, the fact that such large amounts have been spent might seem to make it slightly ridiculous to worry about enough venture capital being available—until you look more closely at what has been happening.

My friend, the razor blade manufacturer, financed his modernization internally. He used a replacement reserve which, though hardly calculated to meet present-day costs, had been accumulating through the recent years of high

production, and he plowed back a substantial share of the company's profits accumulated during those years. This is the way, in fact, that considerably more than half of the money used for the capital requirements of business in these past few years has been raised.

It is a new trend for so large a proportion of the funds needed by business to be obtained from earnings, and there are various reasons for it. Profits have been high, of course. Probably the fact that replacement and depreciation funds were based on pre-inflation costs has influenced many managements to allocate additional earnings to supplement them. Some large and influential stockholders, perhaps, have preferred to have company earnings plowed back, thus enhancing the value of their holdings, rather than having them subjected to double taxation by being paid out in dividends. Yet the fundamental reason for so much internal financing, unquestionably, is the difficulty of raising money in the capital markets.

Unfortunately the very trend toward internal financing increases this difficulty. It creates a vicious cycle. When profits are plowed back, dividends are just that much decreased. The amount paid out by corporations in dividends in 1946—\$5,000,000,000—was the same as paid in 1929, but net profits after taxes amounted to nearly \$12,-

POLITICIANS make a pious virtue of not encouraging speculation. Though it has been by hazarding capital that we have expanded our economy since the days of the Pilgrim Fathers

000,000,000 in 1946 as against \$7,500,000,000 in 1929. By 1947, net profits after taxes had risen to nearly \$17,000,000,000, but less than \$6,500,000,000—about 40 per cent—was paid out in dividends. Compare this with 1939, when nearly three fourths of net profits after taxes went into dividends, and it is easy to see why many people, failing to get incomes commensurate with the risks assumed, have become reluctant to put up capital for other equities, or even to hold on to what they have. Thus the work of raising equity capital gets harder and harder.

But why worry if business can find enough money in its own coffers to do the major part

IF THE time comes when risk capital is no longer available, we can look for the end of the economic system we now have

of its own financing? Part of the answer is that it cannot hope to continue to do so. Depreciation and replacement funds, accumulated during the war, are now being spent rapidly. So are accumulated profits. And high taxes on business, now going higher, are reducing sharply the supply of money to be available from profits in the future.

Furthermore, even if the Government were to leave more profits to our corporations, this method of financing would still be insufficient for all of their needs. Smaller companies, particularly, still on their way up, must look to outside capital; and new enterprises—the very yeast of our competitive system—will never get started, much less develop, without it.

Every business man knows that there are two fundamental ways to raise new capital. One is to go into debt for it by borrowing from banks or by issuing bonds. The other is to sell an equity interest in the business by issuing stock. Banks, as the custodians of other people's money, are properly restricted to investments with a minimum of risk, as are such institutional investors as insurance companies. Their investments must be in loans, in bonds, not in the risks of a share in the business. Thus the company which needs venture capital must obtain it by selling stock.

A company that needs capital that is to be tied up for a long time—in new machinery or a new plant—cannot, or at least should not, turn to a bank for it. When a bank makes that kind of loan, it is bad banking, and bad banking is bad business for all concerned. The capital-seeker may try the private placement route—turning to an insurance company, for instance. The insur-

ance company may not invest as an equity participant, but may lend on notes. The effect of this is to tie its funds up in the business, and it is therefore a doubtful practice, in my opinion, though it has been done increasingly in these past few years.

But sound or unsound from the institutional point of view, it involves an inflexible debt for the borrowing company. Come good times or bad, the charges must be met—or the company must go under.

Yet of the new capital raised for the capital expenditures of business in these past few years, a major portion—and a steadily increasing one—has come from selling bonds and notes: 48 per cent in 1945; 58 per cent in 1946; 73 per cent in 1947, and probably even more in 1948. This means that businesses are going into debt for their needed outside capital, instead of expanding their equity bases. Obviously, there is a limit to this method of procedure, as any business man who has ever found himself in a business slump with heavy fixed charges and loans to be met will agree.

The main reason that business has turned so heavily to debt financing is undoubtedly the difficulty of raising equity capital, just as it is the main reason business has been doing so much of its financing internally. Yet neither of these alternatives answers the full needs of business. Somehow new capital must be found and *risked* on the continued upgrading of our economy and our standard of living.

Why has it become so hard to find new risk capital? There are many answers; one answer is that high taxes are drying up its sources. This is, of course, true, and it is the principal reason that our system is in danger. Equity capital has always come primarily from individuals in the higher income groups who have had some funds that they were willing to adventure in business enterprises. High surtax rates have sharply reduced the number of people who still have such funds to risk, and the capital gains tax has reduced the incentive for those who have.

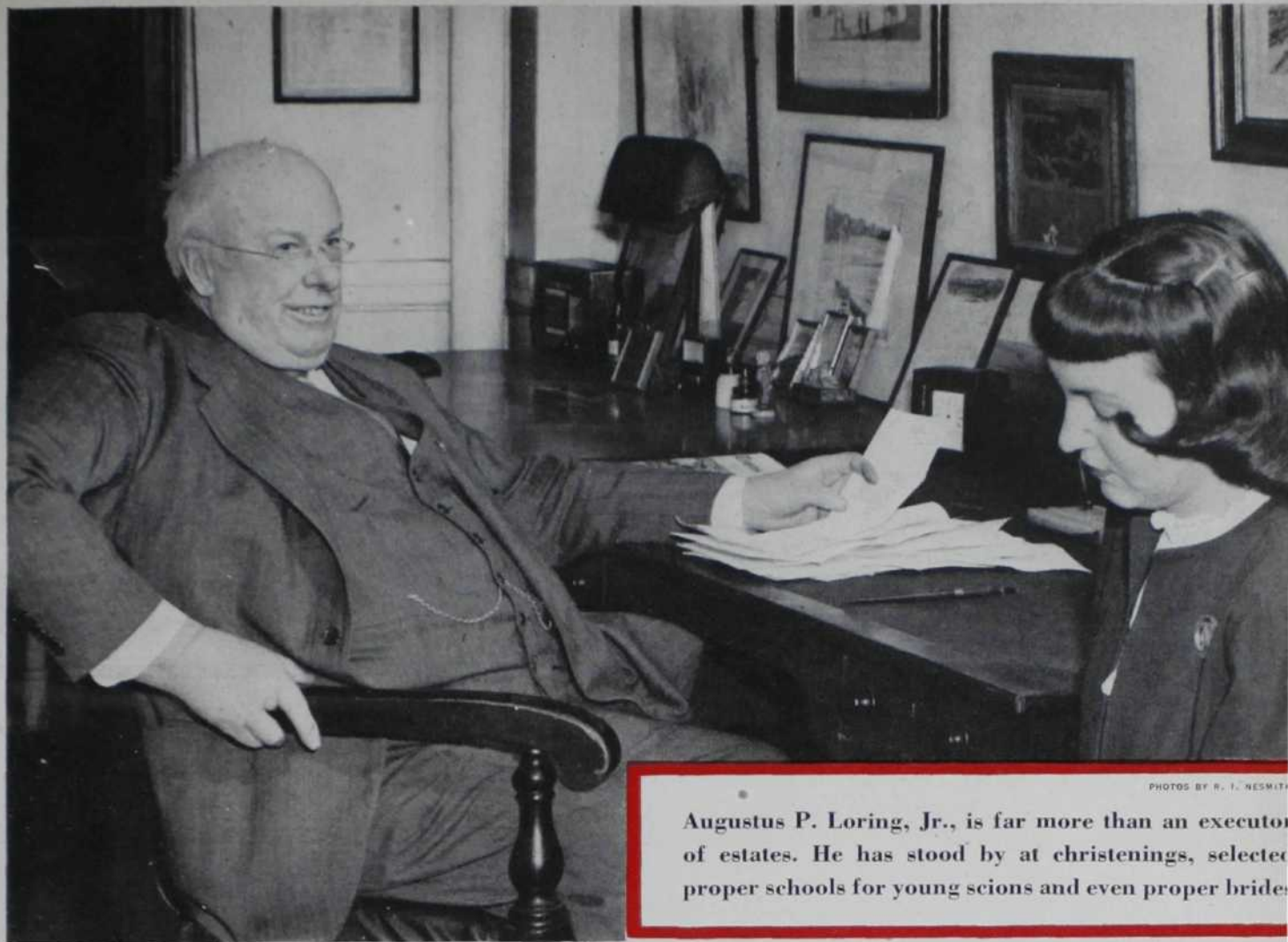
The federal taxation committee of the Investment Bankers Association has recently recommended a 50 per cent ceiling on surtax rates for individuals and a reduction of the maximum tax on long-term capital gains to 12½ per cent. If this were done, the committee holds, more equity capital would become available, business would increase, and the Government would get more, rather than less, revenue.

Other informed groups are also pressing for reforms. But high taxes are only the product of high government spending and today there is scant chance of tax relief until serious statesmen prevail over those who now urge us to live beyond our means.

But we do ourselves no good by merely sitting back and cussing the Government. Without for a moment relaxing our efforts to reduce politically constructed obstacles, we had better study carefully the situation as it is and see what we can do to cope with it.

The fact is that, despite high taxes, there are still plenty of private funds with which to finance American business if we can divert them to this purpose. Personal savings back in the fabulous year of 1929 were less than \$4,000,000,000. In 1947 they were nearly \$9,000,000,000—a drop from a

(Continued on page 69)



PHOTOS BY R. T. NESMITH

Augustus P. Loring, Jr., is far more than an executor of estates. He has stood by at christenings, selected proper schools for young scions and even proper brides.

The Prudent Man's Last Stand

By MILTON LEHMAN

AFTER generations of guarding rich men's fortunes, the venerated Boston trustee is fast becoming extinct

AT MIDNIGHT, the phone rang for Augustus P. Loring, Jr., one of the last of Boston's private trustees. Loring, an ample, elderly gentleman who looks as though he stepped from a Dickens novel, sat up in bed. He listened patiently while a widow on Beacon Street explained her problem—the furnace had gone out, her chore boy had gone home and could Loring help her? The veteran trustee sighed, got dressed and went over to stoke the widow's furnace.

Loring is no longer surprised at midnight calls and sudden alarms. He belongs to the ancient profession of guarding rich men's estates and protecting the interests of heirs. A Boston trustee, he is far

more than the executor of estates. He has served heirs in the role of father, counseling, advising and watchdogging the family inheritance. He has arranged for funerals, stood by at christenings, selected proper schools for young scions and even proper brides.

In the financial world, the Boston trustee is as venerated as the Philadelphia lawyer is in legal circles. In Boston, he is an institution. For the proper Bostonian, like the proper Philadelphian, can't take it with him when he dies. But he has managed—through the Boston trustee—to see that it stays intact behind him. No other city in the land has as much wealth traveling steadily down from generation to generation.

In his prime, when Boston merchants sent trading ships around the world, the Boston trustee shaped the city of Cabots and Lowells. He was first-family Boston himself, usually a member of the families whose wealth he guarded. He invested with caution and made the protection of vast fortunes a fine art. He was responsible only to himself and to



Allan Forbes, president of the State Street Trust Company, knows well the rule of the prudent man



Charles Francis Adams, descendant of two Presidents, is the bank's board chairman

The State Street Trust's interior is finished in early Colonial style

the "Prudent Man Rule." The Supreme Court of Massachusetts in the last century ruled that a trustee, however great the funds he handled, must qualify merely as a "prudent man."

"All that can be required of a trustee," said the Court, "is that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs."

The Boston trustee has reacted coldly to his critics, who complain that he has put capital in deep freeze instead of letting it work for new American ventures. They recall that he waited several decades before investing in the automobile, which he persisted in calling "the horseless carriage," and in the radio, which he considered highly speculative. They observe that now he is slow in recognizing the prospects of aviation and television and, consequently, is missing some smart investments.

"We're not smart men," one trustee said recently, "but we are prudent. If you want smart fellows, you'd better go to New York. And ask them how they did during the crash."

New York still remembers its penniless millionaires jumping from Park Avenue apartment houses. But Boston's millions, protected by the trustees, weathered the crash and depression years far better. There wasn't much fanfare about it, for trustees are uniformly discreet. They are seldom interviewed and whatever they do say, they usually ask not to be quoted. "We were very apprehensive in 1929," a nameless trustee recalls. "Our stocks were going up much too fast and it alarmed us. So we sold our stocks and bought bonds, which were low on the market then. It was the only prudent thing to do."

The trustees are still playing their portfolios close to their vests and concentrating on the blue chips. Considering the present state of the nation, many of them are now dividing their investments between government bonds and such unimpeachable stocks as Woolworth and Boston Edison, International Business Machines and Sears Roebuck, and certain select chemical and insurance firms. With a sense of local pride, they also support such New England enterprises as the seasoned Draper Manufacturing (textile machinery) and the salt-sprayed Plymouth Cordage.

But now the private Boston trustee is on his way out. Despite the skill and discretion with which he managed estates, he is finding it rough going in the complex financial world of today. He is yielding to the banks with their trust departments and expert economists, to the huge investment trusts with their trained staffs. The sons of trustees, who might once have followed their fathers' footsteps, are now joining the institutions. And so are the fathers.

At Boston's State Street Trust Company, 82 year old Charles Francis Adams, the descendant of two Presidents of the United States, is chairman of the board and 74 year old Allan Forbes, the descendant of the first-family Forbeses, is president. Both gentlemen are accustomed to the rule of prudence and to giving the personal service practiced by the private trustee. While they no longer go down to the vault to clip their clients' coupons, they still direct them—as Forbes says—"with sympathy and firmness."

Under the powers of the trust, they may advance part of his capital to a worthy young man about to start in business or even withhold part of the interest from a playboy heir who would squander it on a flashy convertible, or on wine, or women, or song.

(Continued on page 82)



Francis Welch has taken over from his father who controlled estates worth more than \$100,000,00

Donald Holbrook recently founded a corporation designed to put trust funds to more active use



That

CONGRESS is tinkering again with what ought to be entitled "An act to redistribute the national income, promote the sale of headache remedies, encourage cheating by usually honest persons, and for other purposes." The resulting legislation will, however, be known by its short title as the Revenue Act of 1949.

As this is written, nobody knows what changes Congress will make in our still-wet-behind-the-ears Revenue Act of 1948. Maybe the statesmen won't accept the idea of Rep. Arthur G. Klein (D) of New York for a special income tax deduction to reward voters for registering, though things almost as silly have been done. It seems probable that tax rates will be raised to penalize the successful and to "draw off inflationary buying power," as well as to give Washington more money to spend.

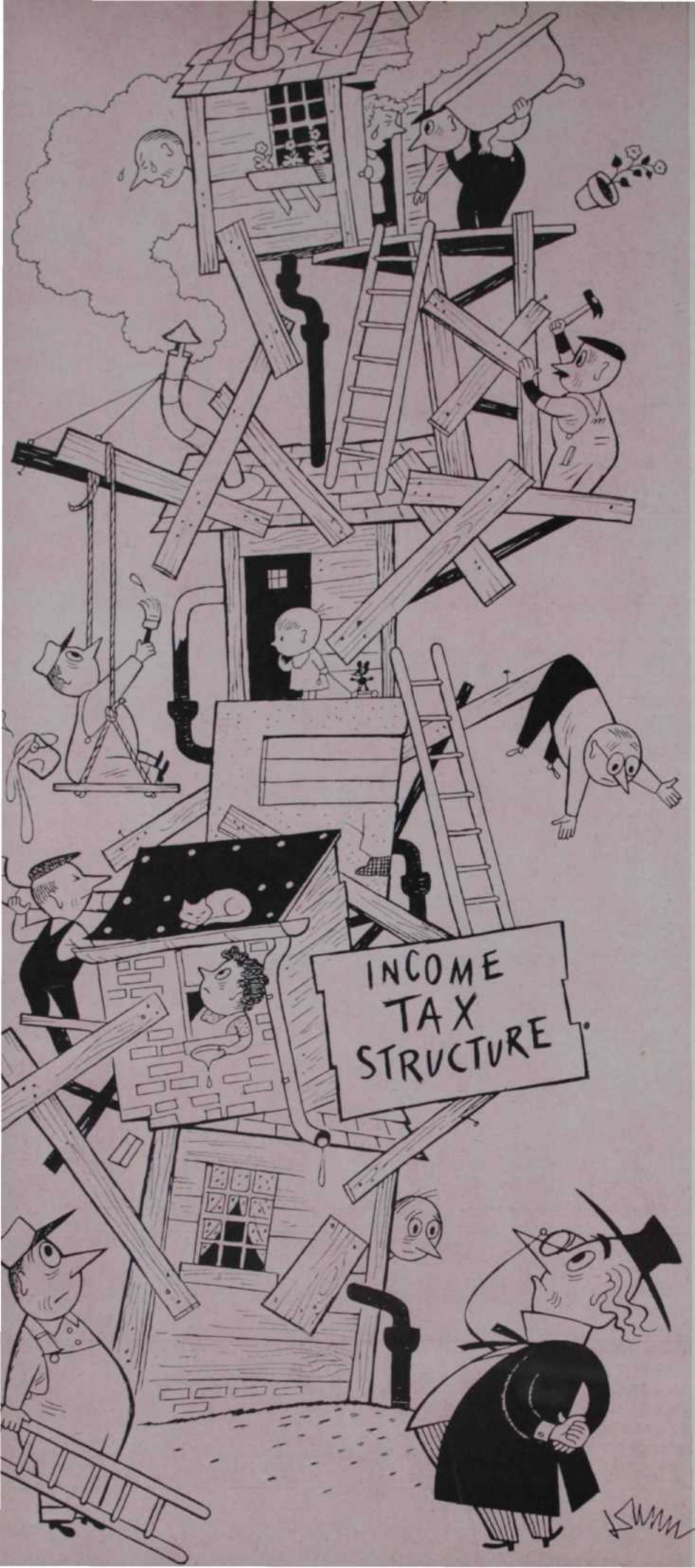
Whatever the details may be, there are two things I prophesy, and if I am wrong I will happily smash my favorite crystal ball into smithereens:

First, that the Revenue Act of 1949 will perpetuate 99.44 per cent of the absurdities, inequities and annoyances that offend taxpayers no less than do those gluttonous bites that the tax takes out of their incomes.

Second, that the rules will be changed enough so that you'll have to learn some of them all over again when you file next March.

Each succeeding Congress changes the income tax rules. Some change them more than once. Occasional improvements are introduced. Notable among these have been the pay-as-you-go (Ruml) plan in 1944 and the "income splitting" feature of the 1948 act. But in all the years I've been watching, no Congress has even pretended a genuine effort to draft a simple, logical, understandable, just law that a moderately competent attorney or veteran Internal Revenue auditor could comprehend.

By now I ought to concede that it is useless to urge Congress to toss our antediluvian income tax law



Tax is Here Again

By S. BURTON HEATH

WHAT a boon it would be if some Congress would come up with a revenue act that was not only just and simple—but logical

into the garbage can, start all over again, and write a statute at least as clear and honest as the "progressive" one Chi-Hoang-Ti imposed on the Chinese 1,970 years ago.

The progressive feature about Chi's law was a graduated scale of rates, so that the higher a Chinese's income, the greater the proportion taken. But Chi had another social requirement. He wanted one first-quality maiden from each province for the harem of every new emperor. Instead of hiding that desire behind a fog of words and involved computations, he came right out and said so.

Our Congresses, however, seek to bury their social aims behind the pretense of revenue raising. Because of that—and also, I regret, because the law's intricacy has long since gone beyond even a congressman's power to understand—the taxpaying public is afflicted with an ever-worsening rash of injustices, some serious, some almost funny, all annoying.

A couple of years ago a friend of mine—let's call him Frank—was transferred to another city. The real estate frenzy was at its maddest. Frank made a profit of some \$21,000 on his \$12,000 house. Next March 15 he handed \$4,800 of it to Uncle Sam in capital gains tax.

That left Frank an apparent profit of about \$16,000 on his \$12,000 investment, which ought to satisfy anybody. But his wife and children needed a roof in their new city. So Frank paid \$35,000 for a house inferior to the one he had just sold. By this time he was \$7,000 behind the eight ball and had to

pay about three times as much real estate tax.

I figure that if Frank's move meant a \$1,000 a year raise, it won't take him more than 20 years—after paying income tax on the raise and higher real estate levies—to work his way back to as good a financial position as he had before the promotion.

A law that penalizes honest success does not seem to me to be in the American tradition. Neither does a law that discriminates, as this law does in many different ways.

Let's consider another of my friends, whom we'll call Joe. In 1945 Joe shed his Navy officer's uniform and found his prewar job waiting—same desk, same duties, same pay in spite of the wage boom for others while he was in the South Pacific. Understandably annoyed, he took another job in a different city.

Uncle Sam skimmed the cream off Joe's profit on the sale of his house. Then Joe paid top-of-the-market price for a new home. He discovered the neighborhood wasn't good for his children and started looking again. Last fall he found what he wanted. He had to sell quickly, to finance the down payment on his new place. By now the market had weakened. He lost \$2,000.

Did Uncle Sam share that loss, as he had the previous gain? He did not. Joe borrowed the difference at five per cent.

If a hurricane had damaged Joe's shade trees he could have claimed a tax loss. If a flood had weakened the foundation of his house he

could have charged off the damage. But when a falling real estate market knocked \$2,000 off the value of his house, Uncle Sam looked the other way.

Two years ago, in NATION'S BUSINESS, I discussed some injustices that Congress persisted in ignoring. One or two minor ones have been corrected, but the net of taxpayer grievances has increased.

For example, I noted a \$500 special allowance for blindness, that was lost if a blind taxpayer took the generous standard deduction available to others.

Congress has corrected that. Now blind taxpayers and their wives get a \$600 special exemption. So do taxpayers, and their wives, more than 65. But how about dependents? It costs no more to support a blind or aged wife than to support a blind son or an aged mother. Yet there is no special exemption for blind dependents or those who are more than 65.

At long last, the Eightieth Congress gave married couples in non-community property states the income-splitting privilege that those in a few community property states have long enjoyed. This eliminated a flagrant injustice. The correction was made the easy way for Congress, the hard way for taxpayers.

The right way—it seems to me—would be to go back to fundamentals, decide what the income tax is supposed to do, and write a new law that will accomplish our purpose in the simplest, most honest manner.

We won't ever get anywhere burning off a moth nest here, grafting on a sickly branch there. I don't propose that we correct, one by one, the absurdities and the inequities I mention. But they are worth recalling, because a new, scientifically sound law could do away with all of them at once, without introducing others just as annoying, just as costly.

Obviously the left hand that drafted the income tax law was not informed that the right hand was trying to discourage child labor. The way to get a nice income,

tax-free, is to raise lots of children and see that each earns \$499.99 a year. Uncle Sam won't take a penny of it. But let mama take a spare job to earn some pin money, and the Treasury demands its cut out of every single dollar.

This year the personal exemption is \$600. Nobody with less needs to file a return. Nobody with less than \$675 needs to pay a tax. But you lose benefit of a dependent, however much his support costs you, as soon as he earns \$500 at odd jobs, though that no longer is enough to make him a taxpayer himself.

A man with \$5,000 income—which isn't as unusual as it used to be—can give \$750 to any organized charity for the benefit of needy total strangers, and he will receive full credit for that amount as an income tax deduction.

But suppose that the \$5,000 taxpayer sends \$10 or \$15 a week to help his aged parents eke out their inflation-emasculated savings. That \$500 to \$750 a year is slightly less than the old folks spend of their own resources. Therefore, the good son is not entitled to take one penny of credit on his tax return for enabling his parents to eat and keep clothed.

Is charity more blessed when it goes impersonally to strangers? Certainly it is less costly.

Surely Congress has no radical grievance against the institution of matrimony. Most of our better congressmen have wives. Yet the Eightieth Congress, unintentionally I'm sure, penalized the wedding of two successful youngsters. The penalty hits any man and woman, each earning as much as \$5,000.06, who get married. If each earned \$10,000 a year it would cost them \$299.20 a year, in extra income tax, to double up legally.

While they remain single each is entitled to a \$1,000 standard deduction on a \$10,000 income. This amounts to \$2,000 for both, even though they can't show a penny of actual deductions between them. Once married, however, they can take only \$1,000 of standard deduction for the two.

In their bracket, the tax on that lost \$1,000 of gratuitous deduction is \$299.20. The less they earn, down to \$5,000.06 each, the smaller the in-

come tax burden on their marriage.

Some years ago I scraped together the down payment on a house. Now I and a bank own my home. My equity gets larger each year, as part of the monthly payments is applied to principal. For years my family has had a bigger, better home than I could afford to rent.

And Uncle Sam, during those years, has paid around 20 per cent of my rent by permitting me to deduct real estate taxes and interest on my mortgage. I'd hate to lose the subsidy. But it really isn't fair. As it now stands the only Americans whose rent is subsidized in this way are those prosperous enough to make the down payment on a house.

Taxpayers are permitted to deduct the legitimate out-of-pocket expenses of earning their incomes, since what they spend in that way is of no use to their families.

In 1944 Congress decided to hand every taxpayer an arbitrary ten per cent allowance, whether he spent it or not, for contributions, taxes, interest, casualty losses, medical expenses and the like. But Congress got mixed up and arranged things so that a taxpayer who claimed the standard deduction

Such taxes should be subtracted from gross income in determining ability to pay.

Until recently the ostensible rule was that the taxpayer could charge off taxes levied directly on him, but he could not claim those imposed on manufacturer or dealer even when such taxes were added, intact, to the cost of the product.

Only hypocritical lip tribute is still paid to that inadequate yardstick. The result is illustrated by gasoline taxes. Every state levies a tax of so many cents a gallon, ranging from two to seven, on gasoline used to operate vehicles on the public roads.

Logic says that such a tax either is or is not deductible. The law disagrees. Last year you could deduct the gasoline tax paid to North Dakota and all other states except Alabama, California, Florida, Louisiana, Mississippi, Utah, Wyoming—and Hawaii. This year the Mississippi tax, for the first time since 1935, can be deducted; but the North Dakota tax, which has been deductible since 1930, has been ruled out.

The federal Government has its own cent and a half tax on every gallon of gasoline. You pay that. The filling station price goes up or down a cent or a half cent every time either state or federal tax is changed. But the federal tax is not deductible.

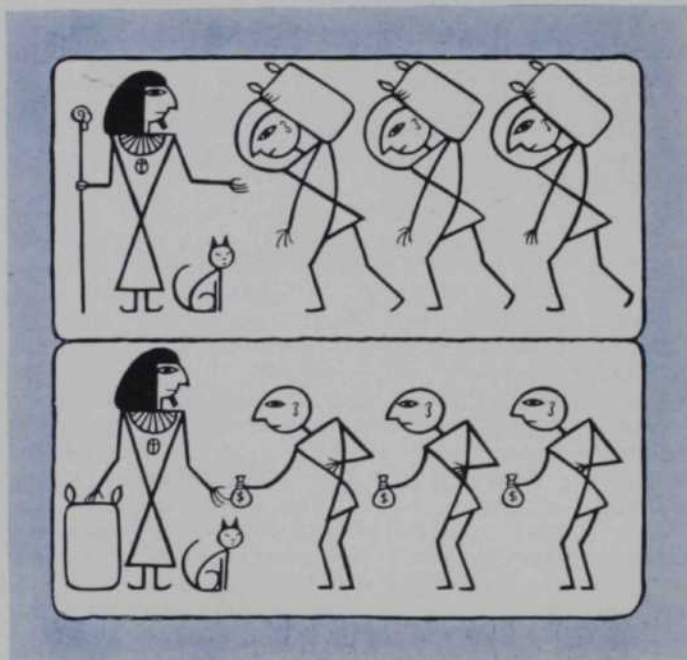
You know that seven cents of the price of every pack of popular-brand cigarettes is federal excise tax. Whenever that tax is changed, the cost of cigarettes is changed the exact same amount. You pay it. But you can't deduct it, any more than you can deduct the excise tax on every bottle of liquor.

If you bring home, from abroad, some souvenirs and a few gifts for friends, the state excise tax on them can be deducted on your income tax return. But the federal customs duty, which

used to be allowable, no longer can be claimed.

There is a flat percentage tax on the price of every train, plane and bus ticket you buy; on the price of tickets to most amusements; on club dues; on safe deposit box rental. They are added, intact, to

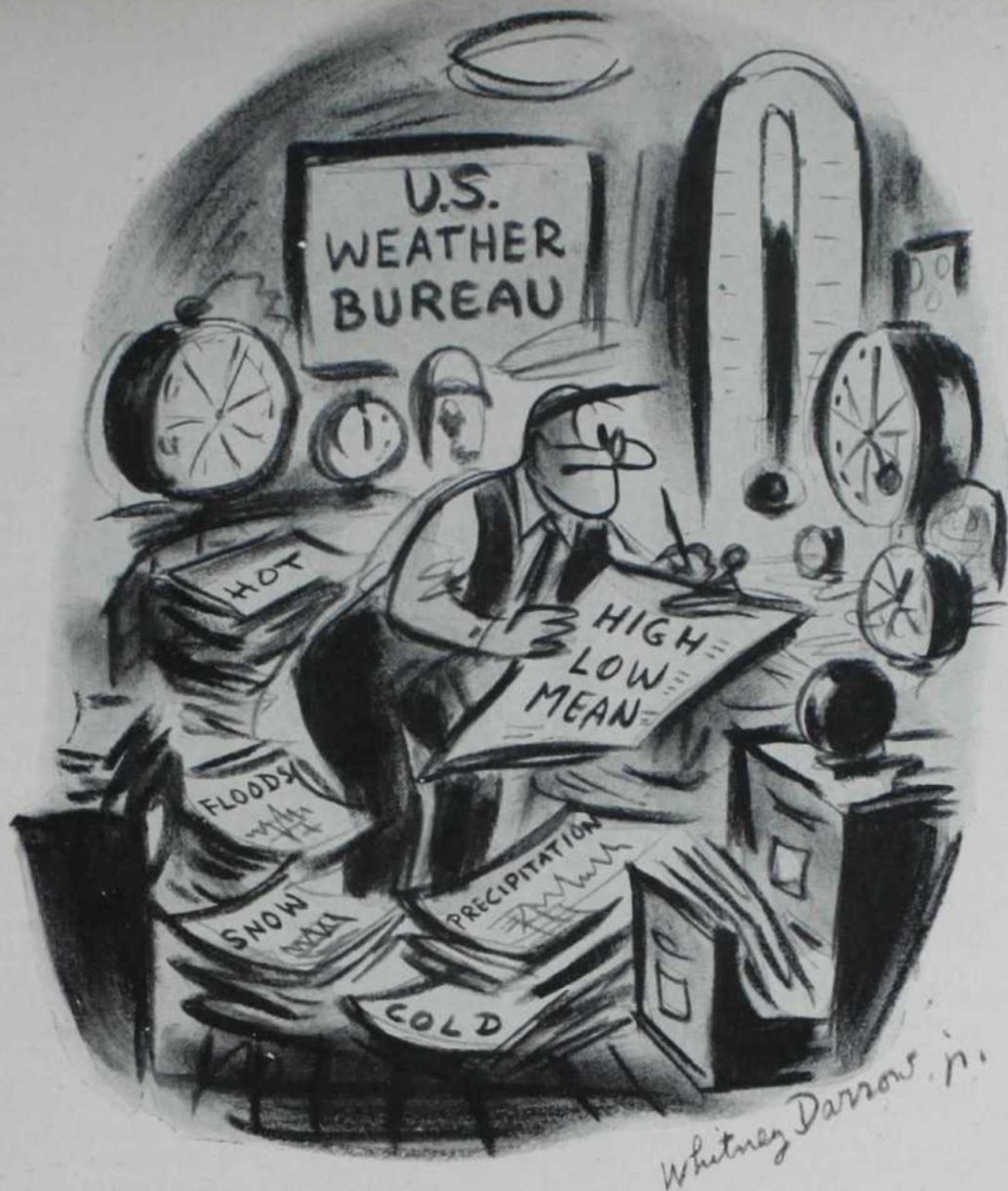
(Continued on page 68)



Joseph was Pharaoh's first tax commissioner

privilege would lose the benefit of most of his necessary, customary and legitimate business expenses.

Another theory of long standing and good repute is that you can not pay the butcher with dollars that have been gobbled up by taxes. Your effective income is reduced by the total of taxes paid out of it.



And Then, by Jing, It Friz

By STEVEN CASEY WILLIAMS

A YOUNG MAN, playing tennis with his father one sunny afternoon in New York, was about to serve when suddenly he dropped his racket, clapped a hand to his forehead and cried out in pain.

His father rushed to his side. "What in the world happened?"

"I think something hit me on the head. I'm not sure...."

But he was sure a moment later when pellets of ice the size of marbles started hopping about the courts like a downpour of ping-pong balls. The men ducked into the locker room and watched through the window.

"Hailstones!" the son exclaimed. "Look at the size of those things!"

**OH, what a blamed uncertain thing
this pesky weather is; it blew and
snew and then it thew —**

His father chuckled. "You think they're big, son? You should have seen the ones we had when I was a boy in Indiana. Why, we got hailstones as big as oranges in those days. Once—it was '97, I

guess—we had hail that tore a hole clean through the barn."

It was an old story. Complain to an old-timer about the weather—any variety of it—and chances are he'll hold you in contempt. In his book, anything Nature can whip up was deeper or windier, wetter or drier, hotter or colder in his time.

"The weather," he'll tell you, "is changing."

Allowing all that is due dad and granddad, it is not necessarily so. It only seems that way. If there

appears to be a difference, it isn't a trend. It's progress and science.

"We have been watching for a trend," advises the United States Weather Bureau in Washington, "but frankly we haven't found any evidence of one."

The old-timer has his own ideas. Take the blizzard.

It began to snow and blow in New York City on March 11, 1888, and by the time the storm had knocked itself out 24 hours later the metropolis lay beneath a 20.9 inch white parka. For days New York was inert, entombed. Stores, banks, factories, offices, the Stock Exchange and the courts of law re-

death had come to Raymond Lane, the man who was born during the blizzard of '88. . . .

The picture changed swiftly. An army of 23,000 men descended on the city with 2,181 pieces of modern snow-removal apparatus, thousands of chartered trucks and a plan. In a relatively short time New York was its bustling self once more.

It was a \$7,000,000 bustle, but the taxpayer was glad to buy it.

"Sure it snowed in '47," says the old-timer, "but that was just a flurry by comparison. It wasn't long before the city was on the go again. In '88, it was dead for a week, and more. And business didn't recover for months. That, sonny, was a blizzard!"

That's where progress and science come in. The 1947 storm was tougher from a weather standpoint, yet it was easier to take and lick. Modern New York had better-built houses and office buildings, central heating, efficient plumbing, improved medicine, warmer clothes and fast, efficient mechanical snow-fighting equipment.

Consider, then, the temperature.

The old-timer insists his winters were colder, his summers hotter. And the records, themselves, may suggest a slight trend along those lines.

"But," says the Weather Bureau, "there is an explanation. In the winter months, our tall buildings block off cold blasts, making it slightly warmer in the cities. In summer, the same buildings keep out cool breezes, again allowing the temperature to rise slightly."

But whatever actual change the cities have produced, it is hardly worth arguing over. In Los Angeles, for example, the mean temperature for 1896 was 63.1°, and in 1946 it was 63.2°. In San Francisco the year's mean was 55.9° in 1896 and 56.0° in 1946. The Chicago mean for 1897 was 48.8° while for 1947 it was 49.3°.

Actual thermometer readings and the old-timer's viewpoint notwithstanding, it is concretely established that the summer of today is more comfortable, thanks to air conditioning, electric fans, better ventilation in buildings and homes, improved city planning, plentiful lightweight clothes, more practical fashions.

Weather being what it is, we find an ample supply of "freaks." One day in January, 1940, amazed Miami vacationists found themselves slipping on



Practical fashions help us beat the heat

mained closed. Thousands were marooned. Scores died. Cases of pneumonia, frostbite, chilblains, stiff necks and running noses ran into the thousands. Horse trolleys, els, wagons, trains, ships and pushcarts were motionless mounds of white. At the height of the storm a senator—Roscoe Conkling—died, and a baby—Raymond Lane—was born.

The blizzard was the nation's No. 1 news of 1888. In 1947, New York had another blizzard that made the national headlines.

At Christmastime in '47 the New York Weather Bureau saw no reason to forecast a heavy snowfall, but an 87 year old Staten Islander said to his wife, "Gonta snow. Gonta have the biggest doggone snow y'ever seen. Dreamt it."

No dream ever came truer. It snowed until the New Yorker was literally up to his ears in it. Some 99,000,000 tons fell on the metropolitan area; 25.8 inches—nearly five inches more than the blizzard of '88 had delivered.

At first, the picture was pretty much the same: people stranded, business idle, conveyances paralyzed. And there was the usual crop of comedy. A snowdrift piled up against an office building and secretaries reached out of second-floor windows to make snowballs. The entrance of a skyscraper was filled with snow and workmen digging into it came upon a four-door sedan. And two men rescued a St. Bernard dog from a snowbank.

But there was tragedy, too. A dozen people died from exposure. Hundreds were hospitalized. Scores of animals froze. When the storm was at its worst, a man slumped into the snow outside his house—



It rains as hard as ever today



"That, sonny, was a blizzard!"

icy sidewalks—the thermometer had fallen to 28°, four degrees lower than it was in usually frigid Juneau, Alaska, that day. On Feb. 9, 1933, Yellowstone Park had the coldest snap ever recorded in the United States—66° below zero.

Grandmother used to tell about the winters in Montana. "We'd pry the window open, push a hole in the snow with a rifle butt and store our food in the hole overnight. And it was always there in the morning!"

In February, 1875, it was so cold in the middle west that farmers chopped down fences and orchards for firewood. But it gets cold in that section these days, too. This winter snows were so heavy the Army mobilized bulldozers to open highways and the Air Force ran a "haylift" to feed thousands of starving cattle.

In Washington, D.C., a city famed for its balmy weather, an old-timer reports that he walked a team of oxen across the Potomac River in the winter of '97. In February, 1899, the Mississippi froze from bank to bank at normally mild New Orleans. But if the old-timer thinks he has something there he should not forget that in February, 1935, the palm trees in New Orleans were frozen stiff.

Many consider the hailstorm a freak manifestation. But we have it straight from the Weather Bureau that the hailstone is as normal and expectable as rain or sunshine. It's just a little more complicated. Hailstones form inside clouds, from droplets of moisture. They are packed and built up by updrafts and downdrafts until they grow too heavy for the cloud to hold. At that point they are jettisoned. They come zooming down with terrific momentum. They are apt to strike in any season, but seem to prefer the spring. Also, they show a slight preference for the western half of the United States.

A typical hailstorm, enlivened by a lusty wind, cut a ten-mile path across Caldwell, Tex., on May 8, 1939. Egg-sized hailstones killed an infant, hurt 16 adults, killed hundreds of cattle and chickens, bashed in autos and rooftops, bent corrugated walls of iron, shattered thousands of windows. But the

storm was nothing new to that area. Fifty years ago the folk there used hailstones to chill lemonade.

When hail hit a farm area near Manhattan, Kan., in 1947, boys brought out baseball gear and had 18 minutes of spirited batting practice.

The hailstone also plays games. On Nov. 11, 1911, the University of Missouri noted hailstones that exploded in the air with pistol-like booms. And perhaps there was political significance in the colorful three-wave hailstorm that hit Russia on June 14, 1880. The first wave was gray. The second blue. The biggest and brightest hailstones came in the final downpour. They were red. . . .

"Don't care what you say," says the old-timer, "the hailstones were bigger in the old days."

He'll also talk down the windstorm of today. And in doing so he'll frequently tell the one about a Mr. Madigan who was caught up in a gust in Cleveland in April, 1875, and deposited in the arms of the statue of Commodore Perry.

The United States has been subjected to hundreds of destructive, death-dealing windstorms. The morning of Sept. 8, 1900, was peaceful in Galveston, Tex., until a hurricane struck and a tidal wave rolled over the city: 6,000 lives were lost. In 1927 a tornado brought death to 689 in Missouri and Arkansas.

The following year a hurricane rampaged over Florida and the West Indies, leaving 3,500 dead. As recently as 1938 a hurricane swept over New England, killing 494.



The wind still takes lives and destroys property

The records may hold the answer to whether or not there is a trend in windstorm incidence: in 1891 there were 11 tropical storms in the North Atlantic; in 1932 there were the same number in the same area.

It is a sad commentary on the wonders of Nature that she balances beauty with tragedy. But not all of her dealings in misery come violently. There are drought and dust storms.

The old-timer hasn't much material for debate here. The nation has suffered only two major droughts: in the 1890's and in the 1930's. If the latter

(Continued on page 71)

□ Harold E. Stassen



□ Fred M. Vinson



□ John W. Bricker



ACME PHOTO

The Woods Are

□ William O. Douglas



□ J. Howard McGrath



□ Wayne Morse



□ William F. Knowland



□ Irving M. Ives

"THE king is dead, long live the king!" cry monarchic countries in the French manner to signify that they are never without a king.

"Well, we've elected a President; who'll succeed him?" cry Americans immediately after the first Tuesday following the first Monday in November every four years. They are probably obeying a deep instinct to assert promptly their inalienable right to replace at an appointed hour the man to whom they have given power the monarchs of old might envy.

Anyway, this guessing game never fails and why should it? Every little boy born in America is brought up to believe that he can be President. Folk are even beginning to hint it to the girls although Mrs. Roosevelt, no novice, doubts that the public is ready yet for a woman President. And as some wit has remarked, since Harry S. Truman has entered the White House, who now dares dispute the old saw?

Because not even the Democrats expected Mr. Truman to win, a rash of speculation followed the November upset. For 16 years the Republicans consoled themselves that they could not be expected to beat a superpersonality; they have now been jolted by the discovery that Mr. Average Man, standing firmly on the bread-and-butter floor which has been put under United States politics since 1932, can prevail.

How the Republican Party will meet the challenge nobody knows; it is already clear, however, that plenty of ambitious volunteers stand ready to

give their all to the effort. In fact, having seen what can be done without a radio voice or New York's 47 electoral votes, the hopeful oaks in the presidential forest have never been more numerous or less reticent so early in the campaign.

Republicans are naturally the most vocal. After all, one can never be sure, short of definitive action by the grim reaper, that a President will not try to succeed himself, whatever his age, health or previous condition of servitude. Franklin Roosevelt's four terms and Harry Truman's insistence upon renomination by a sullen convention at the nadir of his fortunes make that clear. And since Mr. Truman passed his miracle, the rare attempts to deny an incumbent that privilege will probably cease altogether.

How the new Truman Administration will fare is guesswork. By some curious alchemy, the victory of the man nobody gave a dog's chance has proved genuinely exhilarating. The President's honeymoon, however short it may prove, is real. But his was to an unusual degree a promising campaign; no man with serious expectations would have dared promise so much. And with his attempts to deliver on his promises, he must couple a staggering budget for defense and foreign aid.

Perhaps the President's satisfaction over his vindication will last four years. Certainly he will be soon asked his intentions, and as an evader of the direct question he is in the lower form. If he decides to run again, his party can hardly say no. Whatever happens to him now, it would seem impossible that



□ Raymond E. Baldwin

Still Full of Timber

By DORIS FLEESON

KEEP your eye on these men. One of them could emerge as the next President of the United States



□ Henry Cabot Lodge, Jr.

he could be pounded flatter to the floor than he was last July when he got up and delivered a championship punch. The Democrats can't raise a third-term issue against him. Mr. Truman will be 68 when the Democratic convention convenes in the summer of 1952 but he is in robust health. And they have just elected a vice president who is 71.

Thus ambitious Democrats face the problem of four years of good relations with a powerful President of whose intentions they can't be sure. There is a fine crop of these hopefuls—well scattered geographically. The enigma of his plans won't stop them; it may slow them down.

Republican aspirants suffer from no such inhibitions about the twice-defeated Governor Dewey. Even last year when a character in a Woman's National Press Club show admonished Dewey that "You

can't run every time," it brought down the house. That feeling is naturally intensified now.

Yet, just as Mr. Truman can't be written off, Republicans can't be positive they are rid of Dewey. The New Yorker gave Washington this winter incomparably the best performance of a good loser in recent political history. He entertained the press and helped rib himself; he made a Gridiron speech that sent the more unabashed prophets back to their crystal balls in which they saw a new Dewey.

There is also evidence that the Dewey political fences are being kept mended. An appointment exists here to which he was asked to recommend an old friend; he is going along with a stranger recommended by the New York City organization.

Wall Street regards it as even more significant that Governor Dewey is asking for increased taxes now to expand a program of social gains. In fact, they have coined for him and the Republican rebels in Congress the slogan: "To the left of Truman by 1952!"

Has the bee bitten Gen. Dwight D. Eisenhower? If so, he must be the saddest man on earth. Because if he had had the nerve to accept the Democratic draft set in motion by a New York-Illinois-California coalition last June he would be President today.

But General Ike appears well on his way to joining Associate Justice William O. Douglas of the Supreme Court in the "often a bridesmaid but never a bride" category. Both always lead lists of potential Presidents; both would be happy to accept the nomination on a silver



□ Adlai E. Stevenson

HARRIS & EWING



HARRIS & EWING

□ Chester Bowles



□ Joseph C. O'Mahoney



□ Paul G. Hoffman



□ Hubert H. Humphrey, Jr.



□ Brien McMahon



□ Frank J. Lausche



Francis J. Myers

platter without any vulgar striving for it. But nominations aren't made that way; they are too valuable to too many men. And neither Eisenhower nor Douglas will ever admit he is a candidate so his friends can build the kind of political organization it is absolutely imperative to have in order to get nominated.

The General has yet to state his politics though Republicans claim squatter rights from his Kansas background and his views appear to range him with the Democrats. The justice is a Democrat.

A natural born baby-kisser, Eisenhower has the more relaxed and glowing personality; Douglas has the deeper and more subtle brain. Eisenhower is the more easy-going and less selective about his associates; Douglas is instinctively shrewd about people and he can walk alone.

But while Douglas gathers marble dust in the court's Capitol plaza palace, Eisenhower is undergoing a buffing at the hands of the New York hucksters which will net him that high New York polish and an impressive lot of publicity. Any political capital will be purely coincidental. Neither man is putting down the kind of grass roots that make an American politically inevitable or even desirable.

It is now apparent what insiders have always suspected, that Senate Republican insurgents have an offering to lay upon the altar of the presidency: Sen. Henry Cabot Lodge, Jr., of Massachusetts.

In naming Lodge as their candidate against Sen. Robert A. Taft of Ohio for chairman of the Republican Policy Committee, the Senate insurgents tacitly conceded that he was their strongest man. Bearer of a great name, Lodge is 46, a veteran of World War II and of ten years in the Senate. His Washington record is good, often constructive. He has neglected farm fences by agricultural bill nays and opposition to the St. Lawrence waterway but there is time to amend that. And it was Lodge who masterminded the Republican platform in '48 which signaled the party's retreat from isolationism.

The insurgents have other

attractive material: The sturdily independent Wayne Morse of Oregon, Irving M. Ives of New York, William F. Knowland of California, Raymond E. Baldwin of Connecticut and Leverett Saltonstall of Massachusetts. The march of time may bring any one of these senators to the fore.

It still appears that they would have to battle the unhealed ambitions of the '48 aspirants with the exception of Sen. Arthur Vandenberg of Michigan whom inclination, age and health have combined to retire from the lists.

Besides Dewey there is Harold E. Stassen who spoke up unmistakably after November 2. Stassen, who has succeeded to the presidency of the University of Pennsylvania, still has the rudiments of his organization, his well-heeled angels among Republican liberals and his burning desire to be President.

Stassen is no longer a factor in Minnesota; it is probable, however, that he can come through in his native state and in Wisconsin if launched. He now seeks to build his launching platform in populous Pennsylvania, New York and New Jersey where the business and professional communities give him valuable cash and propaganda support.

Whether he can establish a pipeline into Pennsylvania politics is moot. Gov. James Duff was for Vandenberg at Philadelphia; he was out-maneuvered by the Grundy-Martin forces last year who led the bandwagon rush to Governor Dewey. But Dewey lost and Duff is still governor. After November, 1950, when a new governor and senator are chosen, it ought to be possible to get some idea of what Stassen can expect in the way of Pennsylvania's delegation in 1952. No real native son is now in sight.

Stassen still has a real hold on the imagination of young people and veterans. But he has lost much ground. When a sober historian, Arthur Schlesinger, Jr., concluded that his book, "Where I Stand," showed him standing close to Senator Taft, when reporters covering the Ohio primaries failed to discover real basis for the Stassen claims to liberalism, independent voters downgraded him. His course at Philadelphia with its curious flirtation with Col. Robert R. McCormick of the *Chicago Tribune* did not help. Nor did his part in the Dewey campaign, especially his labor and farm speeches about which the Dewey people are definitely bitter.

Senator Taft also appears quite

(Continued on page 66)

ONE COLD autumn night a few years ago, Oscar R. Simmons of Topeka, Kan., was awakened by a hideous cracking and snapping noise in his basement. With a groan he realized what it was. He had forgotten to drain the outside water faucet of his home after giving his lawn its last sprinkling, the temperature had taken a sudden dive, and now, dammit, his pipes were freezing!

Simmons pulled on shoes and overcoat, broke out a blowtorch, and braved the cold until he had managed to thaw the pipes leading to the outside of his house. He

couldn't sleep when he got back into bed and, lying there, he figured out an idea to prevent such nuisances in the future—an idea for a sill cock which would cut off the water back in the pipe beyond the freezing zone.

He had never invented anything before, but he took his idea to an old mansion across the street from the State Capitol—the headquarters of the Kansas Industrial Development Commission. There he was put in touch with engineers who helped him perfect his invention, shown how to get a patent, and advised how to go into production. As a result, Simmons is now manufacturing more than 500 non-freezable sill cocks a day and Kansas has one more new industry.

This is just one comparatively minor achievement of the Kansas Industrial Development Commission and it, in turn, is just one of 51 planning and development agencies scattered throughout 45 states and six Canadian provinces. These agencies are of such recent origin that many people are hardly aware of their existence, but they are performing thousands of valuable services for individuals, industries and communities every year and, taken as a whole, represent the newest and most significant development in state government.

They operate under many different names. In Minnesota, the planning and development agency is called the Department of Business

NATION'S BUSINESS



Research and Development; in New York, it is known as the State Department of Commerce; in Florida, it is labeled the State Improvement Commission. In different states, moreover, the agencies have set widely different goals for themselves, but they all have a common purpose. They do not attempt to regulate private enterprise but strive to stimulate its development by *advising* and *assisting* the governor and the people of the state on the best ways of expediting economic growth and social progress.

I have just completed a nation-

Greener Pastures Nearer Home

By CLARENCE WOODBURY



wide trip during which I visited many of these agencies. The programs being carried on in different places differ tremendously, and some agencies naturally are more efficient than others, but in state after state they are proving that government can work in harmony with business without dominating it and are activating practical plans that promise to bolster our whole economy.

In many states, the agencies are helping local communities to obtain new factories or expand existing industries. In some they are producing a happier balance between agriculture and industry than ever existed before. In others they are undertaking long-range conservation programs and making studies of educational, public health and social welfare problems. In not a few states, they are working with their local communities in preparing land-use zoning

Across the nation planning and development groups are quietly doing a job that rates notice. It has been termed the most significant to date

plans. All over the map, they are doing just about everything that appears desirable for their states, in fact, from making surveys of natural resources to teaching waitresses how to be nice to tourists.

The majority of the agencies grew out of former state boards of the National Resources Planning Board, and a few of them still make planning their major function, but the average one follows a three-point procedure. First, it carries on a research program to learn the facts about the state; second, it conducts a planning program to analyze and organize the facts; and, third, it directs a development or sales program to get results from the facts.

But to see how a planning and development agency is organized, let us look briefly at one of them, the Connecticut Development Commission. It is neither the largest nor smallest in the country, but it has worked so successfully that it has served as a model for several others, and is as typical as any one I visited.

The Commission is headed by a nonpolitical, 11 man board appointed by the governor. These unsalaried board members represent a cross section of the industrial life of the state; they cooperate closely with the state and local chambers of commerce; and, meeting once a month, formulate the Commission's policies, which are then turned over to a managing director, Sidney A. Edwards, for implementation.

With a staff of 33 employees and an annual budget of \$258,000, Edwards does this through the Commission's four main divisions, which are called Research and Planning, Industrial Development, Public Relations and International Trade. Working as a team, these four divisions pursue one main objective—that of developing Connecticut—and, in so doing, offer services to business and the public which are available through no other agency.

If you are considering opening a manufacturing plant in Connecticut, for example, it is not necessary to make a tour of the state and weigh the claims of rival communities against one another. The Industrial Development Division will supply you with a list of available factory buildings or factory sites of the approximate size you require, together with reliable information on the availability of skilled or unskilled labor, transportation facilities, tax rates, and other pertinent facts. This service has been largely instrumental in bringing

659 new manufacturing plants to Connecticut since the close of World War II.

Or it may be that you live in Connecticut and are a member of a local planning board which is in need of expert advice on how to program your town's future expansion. If so, the Research and Planning Division will provide it for you and, if you desire, help you to get detailed plans prepared.

In several residential communities, Edwards told me, his Research and Planning experts have shown the town fathers that by altering zoning restrictions and admitting one or more industries of the right type they could improve their town's economic health and thus enhance rather than impair property values.

The work of the Commission's Public Relations Division is largely promotional. Through publications, exhibits and advertising, it undertakes the job of selling Connecticut both inside and outside the state and, going a step further, conducts polls and studies to determine the comparative effectiveness of various advertising media.

Last summer, through a postcard questionnaire circulated among

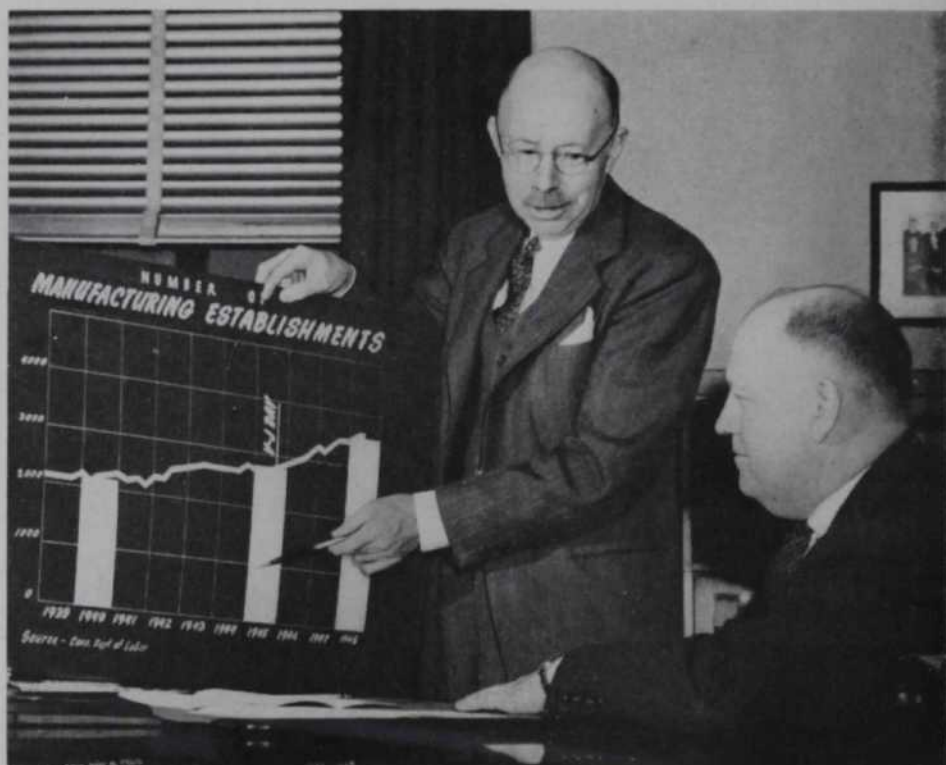
thousands of vacationists it discovered which ads in New York City newspapers pulled the most visitors to Connecticut. That information was worth hard cash, of course, to hotel men and resort owners throughout the state.

The fourth and last division of the Connecticut Development Commission—the one devoted to international trade—also pays off in dollars and cents for business.

Three years ago, when it was first organized, the International Trade Division prepared a catalog describing the export products of 545 different manufacturers in Connecticut and mailed 18,000 copies of it to business men in Latin America. The book brought approximately \$2,500,000 worth of business into the state and since then other catalogs and bulletins, published regularly in both English and foreign languages, have been sent to prospective customers throughout the world. The response to some of them has been astonishing, and the foreign business developed in the past two years has amounted to \$5,600,000.

One manufacturer got the surprise of his life after a bulletin announced he was manufacturing a

The Connecticut Development



1. Elmer R. Coburn, research director for the Connecticut unit, checks data with Sidney A. Edwards, managing director

midget piano which had a 64 note keyboard and weighed only 80 pounds. A pint-sized piano apparently was just what musical Latin-Americans and others were languishing for and the manufacturer was swamped with orders which added up to more than \$1,500,000. He is just one of many Connecticut industrialists who swear by the Development Commission, even though import restrictions abroad have delayed his actual sales.

Only one other state, New York, has a planning and development agency which goes after international business as extensively as Connecticut, but most of the others conduct research, industrial, and promotional programs similar to those carried on in the Nutmeg State. Their aims and methods differ widely, however, depending upon state economic conditions, problems and needs.

In Mississippi, for example, the State Agricultural and Industrial Board is concentrating mainly on a "Balance Agriculture With Industry" program which is called BAWI. The Board first convinces an agricultural community that it needs an industry, assists it to discover what kind of industry it is

best suited for, and then helps it obtain such an industry.

In promoting BAWI, the Board has prevailed upon many towns to vote bonds and erect buildings to house industries even before prospects are contacted, and a nationwide promotional campaign is being carried on to acquaint business men with the merits of Mississippi.

Scores of new garment factories, and others which make everything from mirrors to farm machinery have sprung up; the wage level has risen; and Gov. Fielding L. Wright claimed last year that the work of the Agricultural and Industrial Board had made Mississippi the "No. 1 State of Opportunity in the eyes of eastern and middlewestern industrialists."

The planning and development agencies in several other predominantly agricultural states are pursuing similar tactics. Alarmed by a migration of population from its rural areas to more industrialized states, the Iowa Development Commission is conducting a national advertising campaign to bring more factories into the state. The Tennessee State Planning Commission is selling Tennesseans on the idea that industry and the

Tennessee town must become "partners." The Arkansas Resources and Development Commission holds clinics in widely scattered communities at which citizens get together and discuss ways of building better and more prosperous home towns.

In Kansas, I found the Industrial Development Commission interested not only in acquiring traditional industries but in creating new ones. As a result of research which it sponsored at Kansas University and Kansas State College, the Commission discovered that commercial starches could be manufactured profitably from sorghum grains which are grown in large quantities in western Kansas. A pilot plant was established, and today a sizable starch industry is growing up in Dodge City.

James Reed, publicity director, told me the Kansas Commission is also encouraging the building of plants for dehydrating alfalfa, backing a project to extract chemicals from natural gas and, missing no bets, is advising two ex-professors on the best methods of manufacturing and marketing a patented formula which reputedly will pre-

(Continued on page 81)

Commission has served as a model for others



CONNECTICUT DEVELOPMENT COMMISSION

2. The Commission's industrial division goes afield to check up on a potential factory site



R. I. NESMITH

3. John Weaver of international division, left, and F. P. Grimley, director, scan exhibit



EDWARD R.

MAIN EVENT: **TV *vs* SRO**

By STANLEY FRANK

WHEN Max Baer was heavyweight champion of the world, a realm almost as whacked up as it is today, he was seized by a brainstorm that enshrined him among the leading merry-andrews of his time. Baer suggested that he defend his title aboard a ship at sea before 1,000 solvent sportsmen who would pay \$1,000 each for the privilege of seeing the fight and getting a Caribbean cruise at the same time. One thousand fish at a thousand bucks a head would add up, he pointed out, to the million-dollar gate promoters were seeking. The cost of chartering the ship and feeding the passengers could be realized from selling the radio and movie rights for several hundred thousand dollars. It would be a reasonable figure, Baer argued, in view of the restricted live audience and the hoopla surrounding the affair.

That was in 1934 and everyone laughed indulgently and said Baer sure was a droll screwball. Today the same proposal would provoke the furious beetling of brows which passes for deep thought in sporting circles. Substitute "television" for "radio and movies," make "several hundred thousand" read "several million" dollars and Baer suddenly is a shrewd visionary who anticipated science by 15 years. This easily is the most disquieting aftermath of progress that has confronted scientists since the atomic bomb, but we digress.

Television already has aroused more furore in sports than all previous crises combined, including gambling scandals, crusades against venal rascals and periodic declines in the caliber of athletic talent on the hoof. Some promoters are convinced future gate receipts will be negligible compared to the revenue received from telecasting their attractions. Others insist the impact of television has been vastly overrated and that the new medium will not change the nature or presentation of meat and muscle shows. In the resultant confusion, everyone is an authority—and is groping desperately for the answers that nobody yet knows.

Every day in recent months a new development, which would have been dismissed as absurd a year ago, reflects the upheaval television has brought to all branches of sport. Joe Louis announces he will demand \$250,000 as his share of the television and radio loot the next time he lays his title on the line. (Louis' cut from the Walcott fight last June was \$40,000.) Minor league baseball clubs petition big league owners to eliminate telecasts of night games, claiming such shows are undermining the entire structure of organized baseball. The rich Yankees reveal they are trying to sell their No. 1 farm team at Newark because telecasts of their own major league games, along with the Giants' and Dodgers', are killing off local interest.

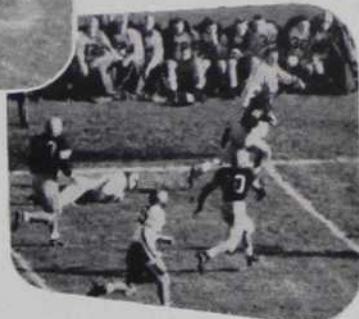
Owners in the two professional football leagues, faced with an 11.9 per cent drop in attendance the same season the colleges hit an all-time high, seriously consider barring television. The Thoroughbred Racing Association passes a resolution limiting telecasts to two races a day, although it is a well established principle that few patrons of horse tracks are animal lovers. Wrestling, given the indecent burial it deserved in the 1930's, is making a sensational comeback at the box office and television is credited—or censured—for this alarming state of affairs.

Perhaps the most significant trend was highlighted by the deal the Tournament of Champions,

IS A FAN at the gate worth two at home? That is the big question as promoters debate television's effect on sports



NBC PHOTO



INTERNATIONAL NEWS PHOTO



ACME NEWSPICTURE



INTERNATIONAL NEWS PHOTO

a new boxing outfit bucking Mike Jacobs' monopoly, closed on December 1, with three highly improbable partners. The T. of C. sold 75 per cent of its stock to the powerful Columbia Broadcasting System, Music Corporation of America and Allied Syndicate, an exploitation firm. Five weeks later the combine leased, through 1950, Manhattan Center, a hall in New York with a seating capacity of 3,500. Now it is impossible to stage big-time fights and keep out of the red in an arena that accommodates only 3,500 customers. Why, then, was the setup formed? More pertinently, why did CBS get mixed up in the fight racket?

The answers are obvious. The tie-up with professional promoters who control several good drawing cards is another shot from CBS in its cold war with NBC, the rival colossus. NBC is the radio and television outlet for Mike Jacobs' fights. CBS needs boxing to maintain network prestige. It is, in effect, manufacturing the product it plans to merchandise to guarantee a steady source of top-flight attractions.

The T. of C. people made an equally radical turn-about in hooking up with CBS. Last summer they

refused to sell the television rights to the Zale-Graziano and Zale-Cerdan championship middleweight fights in Jersey City, hoping to hypo the sale of tickets. It was a good idea but other factors operated against them, notably the understandable reluctance of New Yorkers to go to Jersey City. As a consequence, the T. of C. went to the cleaners. It was plucking feebly at the covers when CBS came along with a gimmick that promised to insure steady profits from by-products rather than the public sale of tickets.

"We eventually hope," George Kletz, president, said blandly, "to shift the cost of sports promotion to the sponsors of television. With our expenses underwritten, any money that comes through the gate will be so much gravy."

Whether sponsors can afford to give promoters free rides on magic carpets is open to serious question. In the meantime, the most astonishing part of the whole thing is the heated controversy and intense speculation television has kicked up in one short year. As John Crosby, the critic, has remarked, "Television is like an iceberg. Eight ninths of it is invisible and in some places this is not discussed, partly because the great hulk under the surface has its sinister aspects, but mostly because no one quite knows what is down there."

On January 1 of this year there were only 56



Leaders in professional sports fear television's gain may be their loss in ultimate gate receipts

television stations operating in 22 cities beamed to about 800,000 sets. More than half these sets were concentrated in the metropolitan New York area. According to Wayne Coy, chairman of the FCC, there will be 1,000 stations in seven years and, by 1952, home sets will be within the financial reach of every family that wants one. That's what has everyone hanging from the chandelier and making feeble passes at the air. What will happen when television is as common as radio?

As always, two schools of thought have sprung up. One holds that television will be the greatest boon to sports since cashiers were bonded because it is making new fans. Quick as a flash the *raus-mit* bloc retorts that television is making new fans but not new customers. In rebuttal, boosters of television observe that radio helped all sports achieve unprecedented peaks for money and attendance. The radio analogy is completely cockeyed, Frank Shaughnessy, president of the International Baseball League, declares.

"Radio stimulates curiosity. Television satisfies it," Shaughnessy thunders.

Shaughnessy became an ardent opponent of television after serving as chairman of a committee investigating the effect of the new medium on minor league baseball. In 1948, minor leagues throughout the country drew an all-time record attendance of 42,822,646. In Shaughnessy's own bailiwick, however, the Newark, Jersey City and Baltimore clubs, formerly the meal tickets of the International League, trailed the circuit in paid admissions. Television was the culprit, Shaughnessy contends. Newark and Jersey City were murdered by big league telecasts from New York. Baltimore, caught squarely between Philadelphia and Washington, suffered from the same blight. Shaughnessy darkly predicts this condition, confined to the East last year, will accompany the expansion of television and ruin the minors unless big league owners—all of whom have heavy financial stakes in the minors—curb their telecasts.

All estimates of the current and future situation are complicated by factors entirely unrelated to television. Coincidental with the sprouting of the magic eye in 1948 there was a definite tightening of money, especially for amusement purposes. As always, the reactions of fans are subject to capricious changes which probably exert a more direct influence on the box office than a new dodge such as television.

Horace Stoneham, owner of the New York Giants, blames television for the average loss of 10,000 patrons at night ball games last season. Could be—but it is entirely possible that a fifth-place team had something to do with the decline, not to mention the appointment of Leo Durocher as manager, a move that alienated a great many fans. The pro football people, who suffered frightful contusions at the gate last year, think they can get healthy in the wallet by barring television. A sounder panacea for everything that ails them might be to strengthen the weak teams that are lousing up each league. They also would be conferring a great favor upon themselves if they piped down their silly, tiresome bickering.

Harry Markson, who has succeeded Mike Jacobs as nominal head of the Twentieth Century Sporting Club, is one executive who sees no danger in television. "It's producing a revolution in sports, but there always will be enough people who want to say, 'I was there,'" Markson asserts bravely. Last year the average boxing gate in Madison Square Garden fell from \$56,848, the 1947 figure, to \$38,964. Was television, the shrinkage of the dollar or poor fights responsible? Markson doesn't know, but he has canceled television at the St. Nicholas Arena, the incubator for Garden headliners, while he is searching for the answer.

The basic problem in each sport is expressed in a simple proposition: Does television help or hurt the sale of tickets? Adherents claim it definitely helps

(Continued on page 84)

Lengthening His Waistline... Shortening His Life-Line



Like one out of every four people in our country today, this man weighs more than he should.

If he loses those excess pounds—brings his weight down to normal and *keeps it there*—he will look and feel better. Furthermore, *he will probably live longer*. Statistics show that if weight is more than 10 per cent above normal, life expectancy is usually reduced about 20 per cent.

Doctors say one of the reasons overweight tends to shorten life is that it puts an additional burden on the heart and circulatory system. It has been estimated that 10 pounds of extra fat require the development of a half a mile of blood vessels. To maintain this excess body tissue, the heart has to work harder. Fortunately, with good medical care, *overweight can usually be corrected*.



The first step in any weight reducing program is to see the physician, for only he is qualified to determine your *best weight*. A six-foot man weighing 185 pounds may be 20 pounds overweight if he has a slight frame, while if he has a large frame that weight could be considered normal.



Proper diet is essential for controlling weight. Most overweight occurs because the body takes in more food than it can use up as energy, and the excess is stored as fat. The doctor will limit food intake, while making sure your diet contains enough essential elements to protect general health.



Some exercise is necessary, but one should not expect to reduce just by exercising. Doctors warn you would have to walk 36 miles to lose one pound. Strenuous exercise may also increase the appetite and make it harder to reduce. So, rely on your physician to recommend the proper exercise.

IT IS WISE for people attempting to lose weight to avoid "reducing drugs," unless their own doctor prescribes them. Many drugs used for weight reduction are dangerous. They may overtax the heart or bring about other serious conditions. By faithfully following the program your doctor suggests, it is generally possible to lose weight surely, steadily, and safely. For more information, send for Metropolitan's free booklet, 39-P, "Overweight and Underweight".

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Metropolitan Life Insurance Company

(A MUTUAL COMPANY)



1 MADISON AVE., NEW YORK 10, N. Y.

TO EMPLOYERS: Your employees will benefit from understanding these important facts about overweight. Metropolitan will gladly send you enlarged copies of this advertisement—suitable for use on your bulletin boards.

TO VETERANS—IF YOU HAVE NATIONAL SERVICE LIFE INSURANCE—KEEP IT!

The Patient's Dilemma

By GREER WILLIAMS

EVERY MAN who has faced a serious illness in his family on a salary of \$3,000, \$5,000 or even \$7,000 a year wishes it were possible to have all needed medical attention and hospital care without so much financial sacrifice. He wouldn't care if it meant having the Government take over the doctors.

This may happen.

A bill now before Congress would, its backers lead us to believe, bring us complete medical care at low cost, and for "100 per cent of the population" in ten years.

The bill provides for a national health insurance to be financed by a payroll deduction, the same as Social Security and withholding taxes, plus supplementary appropriations from general tax funds. The deduction would be about four per cent on the first \$4,800 of salary, the employee paying one half and the employer contributing the other.

Of course, you have heard of compulsory health insurance before—just as you've probably heard of the Blue Cross and Blue Shield voluntary insurance plans and of commercial health and accident policies. The bill, introduced in both Senate and House of Representatives, is the latest of the Wagner-Murray-Dingell national health series—with Senator McGrath's name now thrown in.

A compulsory sickness insurance bill has been introduced in every session of Congress for the past 30 or 35 years. Hence, the new one would hardly be news were it not for President Truman's happy ability to stump the experts and impress Congress that he knows his politics. The President repeatedly has asked for this piece of legislation.

This year, some of the bill's opponents, such as Dr. Paul R. Hawley, give it a chance of coming to a vote for the first time. Hawley, famed as the GI's doctor during the war and Veterans Administration medical director for two years afterward, is head of the Blue Cross-Blue Shield Commission. This is a combination of the non-profit insurance plans sponsored

by the voluntary hospitals and by organized medicine.

These plans provide hospital benefits for 28,000,000 persons and medical benefits for some 7,000,000. As the result of a phenomenal growth in the past few years, voluntary insurance in both nonprofit and commercial forms today covers more than 52,000,000 Americans with either a service or cash-indemnity type of protection against certain sickness expenses.

"If the voluntary insurance people are making headway," the reasonable man might ask, "is it necessary for the Government to push in, as a third party, in the relationship of doctor and patient? Should the Government hold the stake?"

Dissecting our health

FEDERAL Security Administrator Oscar R. Ewing says it should. He agrees that voluntary insurance "for the most part has done an excellent job," but claims that it is too limited in the diseases and the people it can cover. What he wants and expects of health insurance is described in his September, 1948, report to the President, "The Nation's Health, a Ten-Year Program," which embodies Mr. Truman's plan.

Certainly, every American can find his own wish for better health attractively packaged in the Ewing report. Among its proposals are federal aid in training more doctors, in building more hospitals, in extending public health into neglected localities and in developing child health and mental health programs. In ten years, Ewing hopes that we will be spending \$4,000,000,000 annually on such activities.

His key proposal, however, is for

EVERYONE is for better health, but the chief question is: Can the U. S. Government provide it free?

compulsory health insurance. He estimates it would cost \$4,000,000,000 to \$6,000,000,000 a year in payroll taxes and "might use general revenue to supplement its contributions, as necessary." Such a fund, he says, would pay your bills for the costs of doctors, hospitals, nurses, dentists, drugs and appliances and make "comprehensive" and "adequate" care accessible to all, as rapidly as possible.

"The prime objective," says Ewing, "would be the improved health of the people."

He estimates that 325,000 persons now die each year who could be saved if they had the benefit of modern health and medical services. He is convinced, he says, that there is no other way of preventing these and other losses in health and wealth.

The doctors—whose task it would be to prove him right should we have a compulsory system—disagree with Ewing. He admits that the majority of physicians as well as their American Medical Association leaders oppose national health insurance.

"But," he asks, "which is more important, the interests of 190,000 doctors or the health of 68,000,000 persons who cannot pay for adequate medical care?"

Is it true, as the layman is readily led to believe, that the medical profession opposes government control of the patient's dollar purely for selfish reasons of profit? The private-office practitioner is, of course, a business man as well as a professional man engaged in "service above self." He is entitled to some financial as well as spiritual rewards. He assumes life-and-death responsibilities, and may work 60 to 80 hours a week.

I have talked to scores of doc-

Because photography lasts...

Little about this scene remains today, yet here you see it as it was. For someone snapped a shutter at the turn of the century—and "filed this record for the future" on film.

Because photography makes records that last, many offices and plants are putting it to profitable use.

By reproducing a drawing, a blueprint, a specification sheet on one of the new Kodagraph Papers, you can have a photographic copy with a sharp, non-fading image of every detail.

By making Recordak Microfilm files of correspondence, contracts,

checks, you can protect them from alteration, preserve them from wear-and-tear.

By using photographic progress reports of construction work—by photographing accident scenes or filming surgical operations—you can have "eye-witness" accounts whose accuracy never changes.

This and more you can do because photography lasts. For some of its other functional applications which daily benefit business and industry, write for "Functional Photography."

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Functional Photography



Kodak

tors, many of them devoted to their patients.

Their case against compulsory health insurance boils down to three points:

- 1 It will not make medical care better, but worse.
- 2 It is not insurance, but a waste of money.
- 3 It will not reduce sickness or save lives.

In the first place, they say, the patients would swamp them if people could run to the doctor without having to count the cost. We get reports on how the British are standing in line to see doctors since Great Britain put its free and universal National Health Service into effect last July. One doctor, after a busy day, contemplated the stack of certificates he had to sign for free drugs, free hot water bottles, free baby food, free artificial limbs, coal, gasoline, milk and eggs.

"The greatest aid to medical science ever invented was the ball point pen," he said.

Even Ewing's opposite number, Health Minister Aneurin Bevan, was dismayed. Much of the population, he remarked, had developed bad eyesight.

"Free" services are abused

"BECAUSE things are free is no reason why people should abuse their opportunities," scolded Bevan, possibly forgetting his elementary psychology on what happens when "the other fellow" pays.

But the United States is not Great Britain. Americans have more money and less patience. We don't object to getting something for nothing, but we still want service. Even now, patients complain that doctors keep them waiting and then don't give them any time.

In modern diagnosis, despite all the apparatus, there is still no substitute for the time it takes a careful doctor to question and examine a patient. It also takes time to build up the patient's confidence and allay his fears. One doctor who went to work in a government clinic after the war quit in disgust three weeks later. He discovered two brain tumors, previously overlooked, but it was made clear to him that the big problem was to move a large volume of patients and their records.

Then, as every ex-Army doctor knows, there is the problem of the "goldbrick."

Ewing concedes that we haven't enough doctors to meet the demand at the outset.

A shortage of doctors, however, was not the source of difficulty in San Francisco's experiment with compulsory health insurance. This city, described by one doctor as a "beautiful guinea pig," provides the only good laboratory test that we have on how things go under a compulsory system promising medical care at low cost.

In 1937, San Francisco voters—at another time when there was considerable agitation for medical as well as social security—approved a city charter amendment sought by municipal employees. This required some 12,000 of them to contribute to a Municipal Employees' Health Service System, later nicknamed HSS. The employees elected a board of directors and hired a medical director.

The board manifested a distrust of doctors and their fees from the first. But the doctors, most of them members of the San Francisco County Medical Society, overcame their own doubts and decided to go along. About 1,000 of the city's 1,250 joined the HSS panel. The board decided that payroll deductions would be \$27 a year per adult—\$72 for man, wife and child.

In return, HSS members were entitled to the home, office and hospital services of a physician of their own choice day or night—the same as you would under national health insurance. But hospitalization was limited to 21 days a year. Other limitations were imposed—as Ewing grants might be

necessary at first under his scheme.

Having babies was the employee's own lookout, the board ruled. Victims of a list of conditions including venereal disease, alcoholism, mental disease and tuberculosis were not entitled to hospital care. They would remain solely public institutional problems. The payroll tax was HSS's only source of funds and it had to pay administrative overhead and stay within those funds. It couldn't do it.

Doctors' fees reduced

THE doctors were paid on a unit system—five units for an office call, 125 units for an appendectomy and so on. A unit had a \$1 par value. Despite the limitations imposed, the costs of services rendered rapidly exceeded available funds. To make up the deficit, the fee unit was successively reduced until the doctors found themselves working for 50 cents on every dollar charged. The Medical Society complained that HSS should further limit its benefits to its members or increase their premiums.

The HSS medical director publicly accused the doctors of sticking their heads in the door of a patient's hospital room and charging for a call—three units. A similar accusation was made against some doctors during the old days of federal relief. When their fee for treating a relief client was reduced from \$1 to around 50 cents, because of a shortage of funds, they doubled their calls! They had to live, too.

After the HSS board had agreed to a new fee schedule and then reneged, almost the whole panel of doctors threatened to resign in 1941. The municipal employees then formed a Health Service Protection Association—seemingly to protect themselves against their protectors—and elected a new board the next year on the slogan, "Put the Fee Schedule into Effect."

Then, for the first time, an actuarial analyst was called on for advice. He found that in four years the doctors had been paid \$400,000 less than the fees agreed upon. In other words, they had been giving city employees charity on a percentage basis and keeping HSS alive by absorbing its deficit. The hospitals always had been paid in full.

Reforms were instituted. The single adult premium was hiked to \$33 a year. Restrictions were placed on the great amount of medical care for elderly, chronically ill dependents. For a time, every-

(Continued on page 72)



A neighborly property insurance company reports to the Public:

WEBSTER defines "neighbor" as one who lives nearby; is associated with others on friendly terms.

By that definition, The Home is truly a neighborly property insurance company. Through its forty thousand representatives, The Home lives in and serves cities, towns and hamlets in every state of the Union.

To countless property owners, The Home is personified by the hard-working representative who takes an interest in their problems and their protection—the man who lives down the street, who serves on civic committees, the man who brings prompt financial relief to policyholders when disaster strikes. That is The Home, in its most fundamental sense.

Now, more than ever, The Home is a "grass roots" company. Ten fire-marine insurance companies which were previous affiliates, last year were merged into The Home. The balance sheet shown is the first complete one issued by the enlarged Home organization. This is rightly of interest to the public, because The Home is by far the leading insurance protector of American homes and the homes of American industry.

Harold V. Smith
PRESIDENT

Balance Sheet December 31, 1948

ADMITTED ASSETS

Cash in Office, Banks and Trust Companies	\$ 31,027,607.07
United States Government Bonds	107,440,297.48
Other Bonds and Stocks	122,046,607.25
Investment in Associated Company	6,871,511.16
First Mortgage Loans	3,126.58
Real Estate	4,330,868.09
Agents' Balances, Less Than 90 Days Due	10,811,751.20
Reinsurance Recoverable on Paid Losses	706,975.90
Other Admitted Assets	2,006,693.37
Total Admitted Assets	\$285,245,438.10

LIABILITIES

Reserve for Unearned Premiums	\$141,729,267.00
Reserve for Losses	33,879,862.00
Reserve for Taxes	9,000,000.00
Liabilities Under Contracts with War Shipping Administration	2,888,128.21
Reinsurance Reserves	1,493,633.18
Other Liabilities	2,417,432.63
Total Liabilities Except Capital	\$191,408,323.02
Capital	\$20,013,595.49
Surplus	73,823,519.59
Surplus as Regards Policyholders	93,837,115.08
Total	\$285,245,438.10

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NOTES: Bonds carried at \$141,729,267.00. Amortized Value and Cash \$100,000.00 in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Assets and Liabilities in Canada and Jamaica, B.W.I. have been adjusted to the basis of the free rate of exchange. Based on December 31, 1948 market quotations for all bonds and stocks owned, the Total Admitted Assets would be increased to \$285,403,703.37 and the policyholders' surplus to \$93,995,380.35.



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Was the British Loan Good Business?

By FRANCIS WILLIAMS

WHEN an industrial corporation goes to a bank for a loan the banker asks himself two series of questions—both closely related.

He asks: What are the circumstances that make this loan necessary, is it needed for legitimate commercial reasons that will allow development on sound lines or is it simply an attempt to shore up a decaying property and stave off inevitable insolvency, what will the loan be spent on, is it sound business for the borrower?

And he asks also what will be the advantage to me as a banker of making this loan, how good is the security I'm offered, will it help to re-establish a successful concern with which I can look forward to a mutually useful association in the future or am I being asked to sink money in something without prospects, is this loan sound business for me?

Loans between nations don't run on exactly the same lines as loans between a banker and a commercial client. Other things come in—must come in. Questions of world stability both politically and economically, of the maintenance and enhancement of national systems and ways of life, of world peace and the survival of democratic principles—

E. G. KRISTOFFERSON FROM BLACK STAR

BRITAIN REBUILDS:

Financial aid from America has been used in part for building plants and homes for workers, installing power stations and other capital works

BRITISH COMBINE



intangible issues that yet have a concrete importance and significance in the context of world society and must be taken into account.

Nevertheless the principles that operate in discussions between lender and borrower in the commercial field are also relevant when nations are concerned. They are relevant because they are the basis of all sound lending.

The nation that lends money has therefore as much right and indeed obligation to ask the same questions as the banker and to get answers that make sense.

On July 15, 1946, the United States lent Britain \$3,750,000,000. That loan has now been drawn and the dollars expended.

What has the United States got out of it? How has Britain spent it? Why did she need it and what has

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it done for her? Was it good business for Britain? Was it good business for America?

Any American has the right to ask these questions. A sound loan should benefit both lender and borrower. Has this done so?

First consider the reasons for the loan. Britain's position when she negotiated it was this: As a result of the war her export trade was down to less than half its prewar figure, she had lost half her merchant shipping fleet which had been one of her big overseas money earners. Half her overseas investments, the income from which formerly financed a big part of her overseas food and raw material buying, had been sold to meet war expenditure. So had more than \$500,000,000 worth of gold and dollars.

Instead of being a creditor country with a steady investment income, she had run up on war account overseas debts totaling more than \$1,500,000,000. In addition, she had to deal with some \$1,000,000,000 wreckage to factories, railways and docks by air attack before she could get her production properly going, and was \$4,000,000,000 behind on her normal prewar program of civilian plant replacement.

During the war a quarter of her total imports came from America on lend-lease and another fifth from Canada. The wartime slash in her export trade and the physical difficulty of regaining production levels until she'd cleared up the wreckage and got new production going—plus the fact that most of her biggest prewar customers were in no immediate shape to buy from her—meant that she

had no hope of paying for these imports out of her exports. And she had no other income.

That was the situation which made the British cabinet decide to open negotiations for an American loan.

The case advanced for that loan was twofold. In the first place it was argued that the position in which Britain found herself was due to her immense expenditure of materials and money in fighting the war and to the damage and loss suffered as a result of her front-line position. It was therefore natural that she should look for temporary aid to restore her position. The second was that no restoration of Europe and thus world economy was possible unless Britain, which occupies a key position both as an importer and an exporter, was able to climb back on to a stable level. The restoration of a stable world economy is, it was argued, as much an American interest as a British one.

Both these propositions were accepted as well founded by the United States. After long and tough bargaining on both sides the loan was agreed on.

How has it been spent and how far has it done what was claimed for it—help Britain to restore her own economy and assist the restoration of Europe?

When the loan was negotiated it was calculated that it would last until late 1949 or early 1950, perhaps longer. Actually it was almost entirely exhausted in little more than a year. By Aug. 20, 1947, when the exchange convertibility of sterling, the restoration of which 12 months after the signing of the agreement had been a condition of the loan, was

FOREIGN TRADE:

The loan bought time for England to overhaul her industrial economy and get set for the biggest export and production drive in her history

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suspended and further drawings on the loan stopped, only about a tenth of it remained.

In round figures, Britain spent during these 13 months \$1,800,000,000 in buying American goods and products within the United States and another \$960,000,000 on purchases in Canada and Central and South America. Another \$620,000,000 was spent on the American continent by other countries in the sterling currency group to whom Britain made dollars available.

Yet another \$150,000,000 dollars went for British and sterling group purchases in Europe and in the French and Belgian colonies for which the sellers demanded payment in dollars.

Most of this dollar expenditure was financed by drawings on the loan, although some came from British earnings from exports to American markets. Broadly speaking, however, these figures give a reliable picture of how the loan was spent.

Mostly essential items

Of the \$1,800,000,000 spent by Britain in the United States 28 per cent was for raw materials and oil, 23 for food, 22 for machinery and ships, ten for tobacco, and four for films. The balance went for food for Germany.

Food, oil and raw materials mainly accounted for the \$960,000,000 Britain spent in the rest of the American continent. Her buying included wheat and timber from Canada, oil and sugar from Central America and meat, maize, hides and linseed from South America.

The \$620,000,000 spent on behalf of other sterling-area countries went mainly for cereals to enable India to fight the famine threatened by the failure of the rice crop, fertilizers for Egypt, and American cotton textiles for the colonies.

Altogether about 90 per cent of Britain's direct dollar spending in the 13 months between the granting of the loan and its temporary suspension went on food, raw materials and capital equipment.

About \$400,000,000 of the loan then remained undrawn. It has since been used and has been spent for the same purposes and in approximately the same proportions as the rest of the loan.

On these figures it seems reasonably clear that the loan, in the main, has been spent on sound commercial lines.

Moreover, the loan has had another consequence. It has helped

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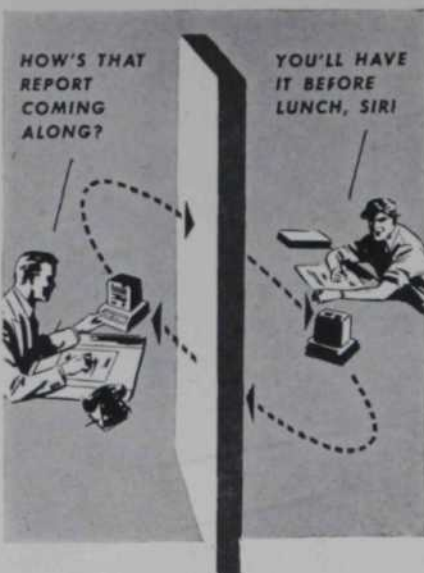
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Britain to get going on a \$5,500,000 program of replacing and re-equipping factories and plants destroyed or run down during the war, and generally stepping up productive efficiency. This sum (£1,400,000,000 in British money) has been spent since the loan on re-equipping British factories, sinking new mines, building factories and houses for workers, installing new power stations and other capital works.

Without the loan an industrial reconstruction program on this scale—essential as it was—would have been almost impossible. A considerable proportion of the men and materials that went to make it possible would have had to be transferred to make consumer goods to swap for the food needed to keep the nation going.

The loan thus bought time for the British people to overhaul their industrial economy and get set for the biggest production and export drive in their history—a drive made necessary by their wartime liquidation of overseas investments and by the contributions to European recovery required of them.

It bought time. But not as much as it was calculated when the loan was arranged. The original schedule has been knocked out of shape by four things.

Prices upset plans

THE first of these is the world rise in prices, particularly for raw materials and food—the biggest items in the British buying program. Between the signing of the agreement and its practical exhaustion there was a 50 per cent rise in the price of British purchases from the United States. More than \$1,000,000,000 of the loan was swallowed up by this price change.

In assessing the size and conditions of the loan both the British and American administrations originally figured on Britain being able to buy a considerable part of her essential raw materials and food stuff from Europe and the Far East in return for exports. But the recuperative power of Europe and Asia proved much slower than was anticipated and was further delayed by bad harvests due to a severe winter followed by drought. As a result, instead of being sources of supply, they themselves became claimants on scarce commodities and Britain had to draw on dollars to buy food and raw materials she had been expected to obtain in return for sterling exports.

The proportion of her total imports that came from dollar coun-

tries had risen from 31 per cent prewar to 44 by mid 1947 when the loan ran out and the proportion of her total food purchases from 27 to 47 per cent.

The British fuel crisis of early 1947 threw another monkey wrench into the original loan program. Partly as a result of the run-down conditions of the mining labor force during the war, partly because of the wartime deterioration of electrical power plant and partly as a consequence of the worst winter in more than 100 years British industry was brought to a temporary standstill. Close to \$800,000,000 worth of exports was lost as a result.

Finally the sterling convertibility clause in the loan agreement had consequences not foreseen. So great had the dependence of all countries on purchases from the Western Hemisphere become by the time the clause was made operative that there was an immediate rush to convert pounds into dollars. By Aug. 20, 1947, the drain on the pound reached the level of nearly \$1,000,000,000 a week, and in a matter of a few weeks Britain's accumulated dollar reserves from export sales and all but \$400,000,000 of the remaining balance of the loan had gone.

This combination of circumstances has led some commentators on both sides of the Atlantic to conclude that the loan failed in its purpose. This is to misread the true position.

In fact, despite the early exhaustion of the loan, it has done much of what was originally claimed for it. With its aid, plus a drastic economy program and an all-out production drive, Britain has substantially reduced her deficit in overseas trading, increased her total industrial production to 115 per cent of prewar and brought her exports up from half of their prewar figure at the war's end to 132 per cent of prewar at this writing.

Moreover, according to schedules to which her industrialists are now working, Britain will raise her exports to a total of half as much again as prewar by the year 1952. In that year instead of being nearly \$2,500,000,000 a year in the red on her overseas trade account, as she was when the loan was running out, she will be \$400,000,000 on the credit side.

To the first group of questions that the lender has a right to check up on the answers are therefore pretty good. The loan has been used for sound commercial purposes.

But what about the lender? Has

it been good business for him?

More than half the loan was spent by Britain directly with American business men and farmers. Most of the remainder found its way back into American business in orders from the rest of the sterling-area countries.

By helping British industry in its initial impetus towards recovery, the loan has helped to keep open British and other markets which are of considerable value to American exporters—and particularly to groups like the farmers, the manufacturers of a wide range of industrial equipment, the tobacco growers and the film trade.

Helped international trade

THE loan negotiations were closely linked with negotiations for the establishment of an International Trade Charter that were running in Washington at the same time.

One of the big factors that persuaded the Cabinet the loan was necessary was that without it it would have been impossible for Britain to play a part in establishing the International Trade Charter as a step to freeing world trade.

Without the loan Britain, because of her inability to buy from dollar sources, would have been forced to wrench her established free-trade economy into a completely new pattern. In economic self-defense she would have had to develop a closed trading system. Such a development would have driven the nations economically into three worlds: an American trading system, a Russian system and a British system.

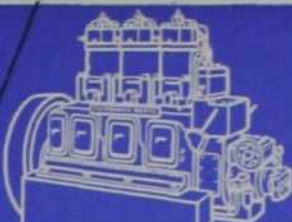
There are other less tangible but no less important aspects of Anglo-American policy for which the loan has proved the essential preliminary. Britain's recovery toward economic stability and the example thus offered of the ability of the democratic way of life to overcome the problems of postwar Europe have proved essential ingredients of western European opposition to communism.

The story is not yet finished. Its conclusion lies with the history of the future. But in the two and a half years since the loan was negotiated its results have been coming steadily along.

It measures up to the requirements of mutual advantage which lender and borrower, whether they be private citizens or great nations, need to consider when they get together round the table. It already has every appearance of proving good business for both of them.



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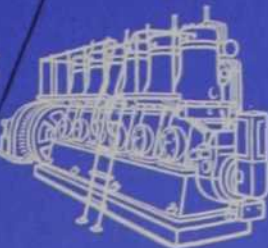


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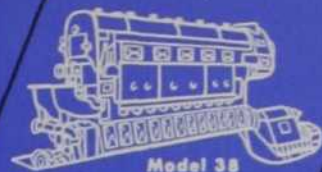


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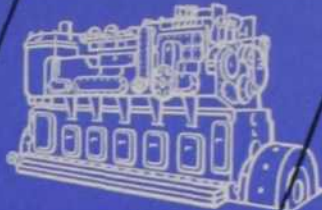
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America's 35 Acres of Diamonds

By JUNIUS B. WOOD

THE RARE JEWEL in Nature's lavish legacy of mineral wealth to North America is one diamond mine.

Stray diamonds, washed down from the Arctic in the glacial age, have been picked up in spots as widely separated as California and Nova Scotia. However, the colorful soil which marks the peridotite plugged vents where Nature made and stored her diamonds is found only in 35 Arkansas acres.

A strange aspect of this American marvel is that so few people know of its existence. Geologists have studied the deposit, written reports and still hope to solve the mystery of why it is there. The diamond trade knows about it and financiers, business men and speculators have worked it sporadically. Its history includes tales of romance, violence and international intrigue.

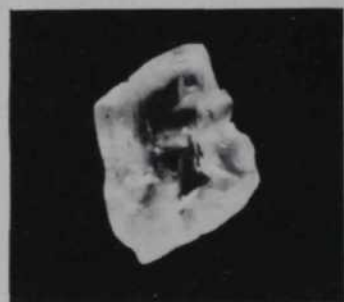
Arkansas is so proud of its distinction as the only diamond producing state that the canton of its state flag is diamond shaped. The Murfreesboro & Nashville Railroad—15 miles of wavy track, three locomotives and no passengers—is distinguished from other carriers as "The Diamond Line—the

railroad serving the only diamond mine in North America."

The mine has produced thousands of gem stones, including "Uncle Sam," the largest one ever found on this continent—40.23 carats before cutting. But, like all diamond mines, its greatest potential wealth is as a source of essential industrial diamonds.

Experts claim that its industrial stones are 28 per cent harder than those from South Africa, with proportionate grinding and wearing strength. In spite of this, and an American demand—mostly for industrials—which often tops 1,000,000 carats of imports a month, the mine lay idle and practically unguarded for years. It is now being worked systematically, probably for the first time in its existence.

In war days, American industry was clamoring for more industrial diamonds, but was forced to depend on the South African Diamond Syndicate which controls more than 95 per cent of the world's diamond sources. Efforts were made to get the Arkansas mine into production. A delegation, including the governor, visited Washington with a display of Arkansas stones which they showed



SCHENCK AND VAN HAELEN

"Uncle Sam" (shown actual size) weighed 40.23 carats when found



SCHENCK AND VAN HAELEN

Now cut to 14.34 carats, the stone runs 13/16ths by 7/16ths inches



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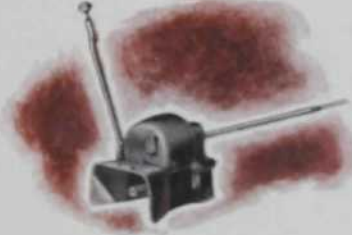
Raydex Plowshares come in a package just like razor blades—are thrown away when worn. Prevent lost time, are uniform in size, sharpness and results. Each Raydex blade costs less than a sharpening job on old-fashioned plowshares.

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to President Roosevelt—he toyed with them while in bed with a cold—and to William L. Batt of the War Production Board.

They were enthusiastic about the possibility of getting diamonds from an American source. In 1941, as now disclosed, the War Production Board asked the Bureau of Mines and the Geological Survey to report whether the Arkansas deposits justified a priority for machinery. The mine's owners asked permission to purchase \$506,000 worth of machinery. The request for priorities was reduced to \$266,000, finally to \$225,000.

It never was approved, although applications for machinery for mines in the Belgian Congo and other Syndicate-controlled workings in foreign countries managed to get attention.

In April, 1943, a survey party went out and worked until January, 1944. Its report was not made public until Dec. 8, 1948, and then only on direct orders from Secretary of the Interior Krug. Fifty-four borings of superficial depth in a limited area had discovered 32 stones—four of gem quality.

It also has just come to light that the Government did buy 400 Arkansas diamonds—but only after being assured that they had come from Venezuela. The world Syndicate permitted the United States to buy from Venezuela and Brazil. So far, the Arkansas output has never been more than a drop in the bucket compared to world production—but the rich African fields were no more promising when they started in 1870. The Arkansas mine was not discovered

until 1906—and then by an amateur who was not sure what he was looking for.

It lies two and one-half miles southwest of Murfreesboro in the foothills of the Ouachita Mountains, which are slightly lower than the Ozarks to the north. At the time of the Louisiana Purchase and before the Spanish boundary had been drawn, the site of Murfreesboro was on the trail from east of the Mississippi to Texas and Mexico. A pioneer named Sullivan was its first unwilling settler. When his horses collapsed on the trail in 1813, he cleared five acres for corn and turned two pigs loose to multiply and fatten on acorns and roots. That sort of animal husbandry—with a couple of "varmint hounds" to round up the porkers—continues a profitable occupation in the wooded foothills even today.

Population grew slowly and Elijah Thompson, who pulled in six years later from Massachusetts, was the third inhabitant within 50 miles. He was energetic, built a log cabin and tavern, was a member of the territorial council and got a weekly mail delivery, weather permitting. He named the post office Zebulon and the future county, Pike, after the national hero, General Zebulon M. Pike who had surveyed that section and been killed in the War of 1812. By 1836, when the state legislature fixed the county boundaries, Tennesseans were more numerous and Zebulon became Murfreesboro.

Long search for diamonds

THREE years earlier, an English geologist had located cinnabar mines which Indians were using for war paint and white men prize for quicksilver. Nine years later, W. B. Powell, scratching around Prairie Creek and Poorhouse Branch, discovered the characteristic green peridotite soil which may contain diamonds.

The diamonds of today were formed in the primeval past when the earth was taking form. The molten interior exploded through fissures in the cooling surface. Terrific heat and pressure forged particles of carbon into diamonds in the oozing mass. They were recognized as being different from other stones in India in 800 B.C. but it was 480 B.C. before one was polished for an ornament. Their greatest use as the hardest known cutting tool is a modern development.

In mining vernacular the vents that hold diamonds are called "pipes," and in 1889 John C. Bran-



MRS. SOLON W. HOUSE

Hunting for gems after a rain long has been a diversion in Murfreesboro



BALDING

Mrs. Ethel Pearl Pontius is one of the mine's principal owners



MRS. SOLON W. HOUSE

John Huddleston was the discoverer and the original owner of the field

ner, Arkansas state geologist, suspected that his state might have a "pipe" identical to those being worked in South Africa.

In 1906, Branner surveyed the peridotite soil again. For three weeks he crawled around on hands and knees, squinting at stones through a magnifying glass but not finding any diamonds.

Long search needed

JOHN Wesley Huddleston, who now ranks in local tradition with the legendary Paul Bunyan of lumber camps, carried the state geologist's tools and lunch. "Our John," as he is remembered, was an inveterate, though frustrated, gold mine hunter. He did not know what the man of science had been looking for but was sure that it must be valuable. He also noticed that Branner aimed his magnifying glass only at white pebbles that looked like glass.

With these clues, he continued the prospecting alone for weeks before he finally found two "dee-mints," as he called them. Shrewdly keeping his discovery secret, he optioned 160 acres, later found to include 30 of the 35 acres in the peridotite pipe, for \$1,000, a high price in those days.

Having no cash, he gave one of his two mules as down payment. That done, he loped into Murfreesboro on the other mule on Aug. 8, 1906, to see his friend, Jess Riley, cashier of the Pike County Bank.

"What'll you give me for these stones?" he asked.

"Oh, 50 cents, seeing it's you," was Riley's top offer. The stones weighed 2.75 and 1.35 carats by later appraisal.

"But they're dee-mints," Huddleston insisted.

"Show 'em to J. C.," Riley suggested.

J. C. Pinnix, Murfreesboro's only lawyer, was president of the bank but not an authority on diamonds. He sent the stones to Charles S. Stiff, a Little Rock jeweler, who passed them on to Tiffany's in New York where George F. Kunz, foremost diamond expert in America, reported that the stones were diamonds of the best quality.

When the report of the New York appraisal reached Little Rock half a dozen business men clubbed together with New York investors to buy the property. Sam W. Reyburn, then the energetic young president of the Union Trust Company in the state capital, was sent to deal with Huddleston.

Buses and paved roads were nonexistent in those days and Reyburn



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took the Missouri Pacific, trusting to luck to get to the promised bonanza from the nearest whistle stop.

As he settled himself on the train the genial voice of Horace Bemis boomed, "Hello, Sam. Where you bound for?"

Bemis, a former Vanderbilt University football player, was cutting over some 200,000 acres of Arkansas timber. Reyburn somewhat grudgingly identified Murfreesboro. As only the diamonds would attract a city banker to that part of the country, this explained his mission. Bemis was well able to be a rival bidder.

"I'll give you a lift on my logging road from Prescott to Highland where my car is waiting," Bemis offered. As the secret was out, Reyburn suggested detouring to where Huddleston was waiting. The latter was ready to sell.

"The price is \$36,000," he declared when that detail was reached.

"How do you figure that?" the banker asked, knowing the lanky discoverer had never had \$100 in his jeans and could neither read nor write.

"Well, there's me and the old lady and we've got four girls," Huddleston explained. "We figure it's worth \$6,000 a piece."

"That's a lot of money," Reyburn protested, more from a banker's caution than surprise at the novel appraisal.

"If you don't want it, Mr. Bemis will buy it."

Bemis was out of earshot, looking for diamonds in a dry creek bed. Needle-in-a-haystack diamond hunting already had become, and still is, a local diversion after every rain storm. The story that every Murfreesboro pantry has a cupful may be exaggerated, but hundreds have been found by chance. The taxi owner who took me to the mine asked only a nominal fare because he decided a pin-sized stone, found while waiting, was a diamond.

"We'll buy it," Reyburn said. "I'll write a check now."

"I want real money. Don't understand that writing on paper."

That took more time.

The newly rich prospector bought a store, several farms and distributed modest dowries to daughters. A few years later, broke in New Orleans, he pawned the original diamonds for railroad fare back to his old hunting

grounds. As a civic duty, the Pike County Bank eventually bought the stones to exhibit to visitors. Local business men also raised a fund and, until his death, Huddleston called each morning at the bank and received \$1.

Bemis made an operating agreement with M. M. Mauney, then county clerk, who owned 40 acres, of which five jutted into the diamond pipe. Ownership was divided later and, after Bemis' death, his 30 acres were sold to Austin Q. Millar who celebrated his ninetieth birthday last December. The latter's son, Howard A. Millar, also a geologist, is now in charge.

This property was worked but, after two widely separated processing plants burned simultaneously at midnight, on Jan. 13, 1919, and somebody fired six shots on a dark night at Howard Millar little was done.

Activity on the tract bought by



"Well, you sound like you think more of the government than you do of me"

the Little Rock promoters started briskly. The property was expanded to 929 acres for water and other rights and a processing plant was erected.

It was not efficient and production lagged. After Reyburn moved to New York, other Little Rock residents bought control. They did not raise the required funds for expansion. Other changes in ownership brought little but new corporate names.

At one time Henry Ford and various corporations made desultory surveys which led to nothing.

Finally Ray E. Blick, now deceased, and George R. Barrett, both of Chicago, stepped in. They interested Charles H. Wilkinson, presi-

dent of the Logansport Machine Company as the leading investor; Allen B. Williams of St. Louis, president of the Aluminum Ore Company of America; Leslie H. Jockmus of the Ansonia Manufacturing Company and others. They organized the North American Diamond Corporation in July, 1941.

In November, 1945, a charter was issued to the Diamond Corporation of America. Its latest report to the Arkansas secretary of state lists Glenn L. Martin of Baltimore, president; Roger P. Brennan, a Cleveland lawyer, secretary, and Jan Porel of Baltimore, treasurer.

The land trust which now owns the property gave the Diamond Corporation a 50 year renewable lease to operate the mine. A consideration was that a mill able to handle 1,000 tons of earth a day be built before Sept. 1, 1948. The corporation also has taken an operating lease on the Mauney property. Martin acquired the Blick and Barrett holdings in both corporations in 1947.

Under the new management the workings have been revived. When I visited the place last December, machines were piling the strange green earth in a growing hill beside the new mill.

Signs on both sides of the entrance warn visitors to keep out. Sightseers—some even arrive at night with flashlights—seem to feel that America's only diamond mine ought to be a public operation. Mrs. Ethel Pearl Pontius, now the chief owner through the estate of her late husband, Charles H. Wilkinson, encouraged this when she announced in newspapers: "It is a public service, if not, in fact, a public duty to enable resi-

dents of Arkansas and their visitors to have an opportunity to view this very unique spot in the entire nation."

A lottery-minded Arkansas legislator went even further. He proposed that the state buy the property and plans were actually drawn for a public park to charge \$1 admission and advertise: "What you find, you keep."

All this is a burden for A. I. Schweizer, mine superintendent and general manager.

"Visitors interfere with work," he told me. "We may need a police force to keep them away. After you left, this morning, a Pennsylvania and then an Ohio car drove in. A few days ago a load appeared from

Missouri with shovels and buckets and howled to high heaven when we wouldn't let them dig. After all these diamonds are no more public property than the apples in a farmer's orchard."

Except for the color contrast and the rare chance of picking up a diamond, an open cut diamond mine is as drab as a coal dump.

Digging in the Arkansas pipe has not gone much below ten feet—one South African mine is an open hole a mile deep. Though its ultimate wealth in diamonds is unknown—the wildest guess is \$605,000,000, the recovery per cubic yard of excavated dirt puts the Arkansas mine on a par with any African mine at the same stage.

Good production

ALREADY—with only desultory working—Hugh D. Miser, a government geologist, estimates that the Arkansas mine has produced 50,000 stones—90 per cent of them industrial—not counting those picked up by poachers. They vary in weight from 1/250 to 40.23 carats, or averaging one-quarter carat.

Arkansas diamonds are on exhibition in Washington, Chicago and other cities. The largest collection of gem-cut stones is in the strong-room of Schenck and Van Haelen of New York City which has handled some 15,000 Arkansas diamonds. This collection includes "Uncle Sam," now cut to 14.34 carats and 13/16ths by 7/16ths inches in size.

Mounted on wax in a little carrying case in this collection are 15 sparkling canary-colored Arkansas diamonds of four carats and less, 18 pure white, and 11 golden brown weighing up to four carats. Others are rose tinted, lavender and jet black.

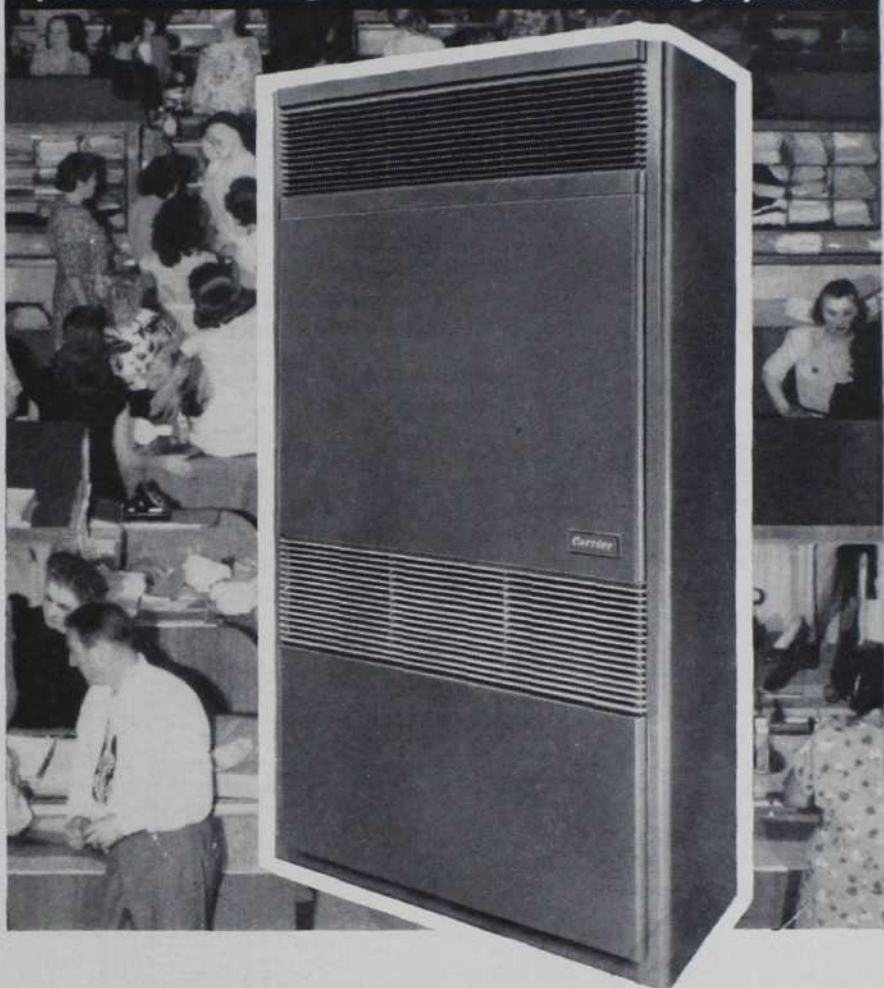
"Uncle Sam" was found by accident in tailings from the washing plant in 1924. Diamonds have an affinity for grease, also feel greasy in the rough, but many do not stick when the sand and pebbles, screened and washed from tons of earth are run over grease boards.

These gem stones are the prima donnas of the gem world but the national importance of the Arkansas pipe does not rest with them. The unsung and utilitarian industrial diamonds are a necessary asset for national security. As an example from the days when priorities for the Arkansas mine were bound up in red tape:

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AIR CONDITIONING • REFRIGERATION

The Woods Are Still Full of Timber

(Continued from page 42)

unabashed by the election returns. Taft is prepared to prove in any forum that he is as liberal as the self-proclaimed liberals who sought to unseat him as Senate leader and that it is unfair to label him an isolationist. There is no doubt that the senator reflects the point of view of strong elements in the Republican Party and that he personally is the party strong man in the Congress.

It still seems improbable at this stage in history with political power everywhere moving from Easy Street to Uneasy Street that a major party will nominate a Bob Taft for President. Besides, the senator has a re-election problem in 1950.

But so long as Taft remains in the Senate, with his rugged personal qualities and sublime assurance that he is the true prophet of republicanism, he cannot be ignored.

Equally improbable at this point is that the clamor for normalcy will rise high enough to float the handsome Barkis, Sen. John W. Bricker of Ohio, to the top. But there he stands, in outward aspect every inch a President. His voting record puts him far to the right of his colleague, Senator Taft.

Warren in the running, too

NOTICEABLY the personable governor of California has not removed himself from presidential consideration either. Earl Warren has watched and waited before; his temperament can take it. He must be on any '52 list unless and until some overt action takes him off. If he successfully runs again for governor he will move again into the limelight.

It can be objected that the foregoing stresses old faces; the November 2 results failed to add new Republican ones. There are some observers who would dismiss the old on the ground that the public is weary of them, that the controversies inherent in the current battle over the party's course will kill off the participants as presidential possibilities. These quarters predict that the Republican candidate will be some new luminary spotlighted by the times.

There are at least two currently nonpolitical Republican characters willing to move forward as events dictate: Eric Johnston and Economic Cooperation Administrator

Paul G. Hoffman. Both are from the business community but well to the left of the National Association of Manufacturers. Hoffman already occupies the vantage point of disinterested public service and holds a nice lien upon page one as a result. Johnston is ready to undertake any public or quasi-public service.

Rich in timber, new and old, since the election, the Democrats have no problem about their party's direction. They may occasionally move to placate the South but they crossed their Rubicon at Philadelphia and staked their future on being the liberal party in the states where elections are won or lost. That they won again despite such unpromising omens will reinforce that decision.

Their currently probable candidates are therefore liberals all: The President himself, Chief Justice Fred M. Vinson, Associate Justice William O. Douglas, Governors Adlai E. Stevenson of Illinois, Chester Bowles of Connecticut, Frank J. Lausche of Ohio and their senatorial galaxy.

The Chief Justice would be a popular choice in the trade. Possessing great natural charm and moderate abilities, Vinson acquired useful experience in a long apprenticeship in the House. Before naming him Chief Justice, the President described him as "the man I depend on most"; proof that that

confidence has not waned was his abortive plan last fall to send Vinson to Moscow to talk to Stalin.

That the presidency tempts the Chief Justice is clear. Naturally gregarious, he finds the court confining and seeks relaxation in a heavy social schedule that causes many a raised eyebrow in the Capital. Yet the post of Chief Justice could not be lightly abandoned by anyone for a bird in the bush.

Justice Douglas is not quite so popular at the White House since he kept the President dangling 24 hours while he debated whether or not to run with him for vice president. What Douglas does have is enthusiastic labor backing. And though incredibly he has never been abroad, from Douglas have come truly creative and lucid expositions of the battle now being waged everywhere in the world for the possession of men's minds.

In a pivotal state

THE most desirable spot in the grass roots is occupied by the grandson and namesake of a Democratic vice president, Governor Stevenson. A LaSalle Street lawyer on duty in the War and State departments throughout the war, Stevenson carried his pivotal state by the largest plurality any candidate ever enjoyed. Sen. Paul Douglas downed the Chicago Tribune favorite, Sen. C. Wayland Brooks, in a similar fashion.

But Stevenson's problems are as vast as his opportunities. He inherits an administration widely attacked as corrupt and inefficient. He must cope with hungry Democrats long out of power in the state. The commonwealth he governs is extensive, diverse and complex. If he can make a good record in spite of all this, he will automatically move to the front rank of presidential possibilities.

Chester Bowles, the former OPA administrator, has a smaller state behind him but his labor backing gives him national stature. Bowles bit the Washington dust when he tangled with Treasury Secretary John W. Snyder, and Mr. Truman will never do him any favors.

Perhaps Bowles is too much the confident advertising salesman for rural Missourian Truman. Perhaps—it would be human nature—the President can't forget he had to move to the Bowles position about prices after all though Mr. Truman first sided with his pal, Snyder. But their personality difficulties remain.

Fortified by labor's love and cash contributions, Bowles has returned



to Connecticut to build a record and fences to carry him onward.

Ohio's Lausche, like Stevenson, had a vote appeal that pulled his pivotal state late and crucially into the Truman column. Lausche has not hit the national spotlight or served a Washington stint. But there is still no reason why Ohio cannot mother a Democratic President as well as Republican ones.

Pivotal Michigan also elected a Democratic governor, G. Mennen Williams. But like Franklin Roosevelt, Jr., and Robert F. Wagner, Jr., of New York, Williams is young and untried—1952 is not their dish.

The Senate is unusually fast Democratic company with its seven new additions, mostly experienced, attractive and articulate politicians including ex-Mayor Hubert H. Humphrey, Jr., of Minneapolis; ex-Gov. Robert S. Kerr of Oklahoma; ex-Secretary of Agriculture Clinton P. Anderson; ex-Governor Lester C. Hunt of Wyoming; ex-Representatives Estes Kefauver of Tennessee and Lyndon B. Johnson of Texas, and ex-Professor Paul H. Douglas of Illinois.

Humphrey is being pushed

DEMOCRATIC liberals who comprise Americans for Democratic Action are already pushing Humphrey. He is, first of all, a spell-binder. He helped force the strong civil-rights amendment into the platform last July to what ought to be his party's lasting gratitude since it brought the crucial minority blocs into camp. Labor dotes on him.

Already in the Senate and doing honest, constructive work are a number of possibilities, should Democrats decide the country is ready to expiate its 1928 intolerance. These include Senators J. Howard McGrath, the national chairman; Francis J. Myers, the whip; Brien McMahon, author of the Atomic Energy Act; and Joseph C. O'Mahoney, chairman of the committee on the economic report.

It is usual to rate senators as vice-presidential possibilities with the chance to inherit as President Truman did. At the moment the caliber of the Senate on both sides of the aisle entitles it to consideration in the first instance.

The flow of news in America is from east to west and it will help the Washington notables. But the distinguishing lesson of these times surely is that they are revolutionary and it is a brave prophet who will foreclose the lists for the U. S. presidency prior to the summer of 1952.

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That Tax is Here Again

(Continued from page 36)

the basic price. You pay them, but you can't deduct them.

There is not the slightest rhyme or reason to the breakdown between taxes you can deduct and taxes you can't. You can memorize the list—or you can ask the collector, who will look up the answer in a commercial tax service and tell you.

The Tax Foundation has been looking into the history of the income tax and has come up with some intriguing facts.

The Emperor Chi's progressive tax law was one. Another was that the Athenian Solon, whose name has become a synonym for the wisdom of legislators, devised the first graduated income tax in 380 B.C. A third interested me so much I dusted off the "Old Testament," and dug out some details not given in *Tax Outlook*, the Foundation's publication.

It seems that the first income tax law was suggested by a Canaanite immigrant psychologist, economist and administrator named Joe, who became the first commissioner of internal revenue.

You'll find the story in Genesis XLI (verses 34 through 57) and Genesis XLVII (verses 12 through 26) if you want to check my free-hand version of the tax devised by Joseph, great grandson of Abraham and twenty-third generation descendant of Adam and Eve.

You remember how Joe's brothers got so jealous of his coat of many colors that they sold him to the Midianites, who in turn sold him to Potiphar, a captain in Pharaoh's guard. Perhaps you remember, too, that he interpreted Pharaoh's dream to forecast seven years of bountiful crops followed by seven years of famine.

"Tell you what you do, Pharaoh," Joseph told the emperor. "You find yourself a discreet, wise chap"—and here I picture Joseph standing a bit straighter and looking his wisest and most discreet. "Make him commissioner of internal revenue. Let him appoint collectors all over Egypt. During the seven fat years, let them levy a 20 per cent tax on income and crops."

Pharaoh took the advice. He made Joe commissioner, gave him

a lot of gold jewelry, ordered that in future parades Joe should ride in the carriage just behind the royal equipage. Also he gave him Poti-pherah's daughter, Asenath, for a wife. This put Joe in the social register, because Poti was a priest, and priests were the only class who rated high enough to be exempted from the income tax.

Commissioner Joe and his collectors gathered so much grain that they gave up any effort to keep track of it. Then the drought came, bringing famine, and the Egyptian people went to Pharaoh and asked for bread. He sent them to Joseph.

"Joe's the boss," Pharaoh told them. "You do what he tells you, and I'm sure he'll see that you don't starve."

They got grain from Joseph, but they paid for it. They paid so much

this, I had thought of Joseph as a wise man who taught the Egyptians to save when food was plentiful, in order to eat when it became scarce. He was, and he did. He gave them social security. But there it is in Genesis, all spelled out, that he did this through an income tax, in such a way that when it was all over the government owned all the money, all the land, all the livestock, and the bodies of all of its people except Joseph and Asenath and the priests.

Thereafter Joseph permitted the Egyptians to sharecrop on the land they formerly owned, using the cattle that once were theirs, so long as they gave Pharaoh 20 per cent of everything they raised.

It is conceivable that Karl Marx read Genesis before he drafted his famous "Communist Manifesto," with its ten-point program to "wrest by degrees all capital from the bourgeoisie." His first point was ending the private ownership of land. His second was "a heavy progressive or graduated income tax."

Nobody accuses Congress or the Administration, past or present, of deliberately seeking to communize this country. The graduated income tax is accepted now by many who lean far toward reaction.

Our tax is designed to produce revenue. In the 1948 fiscal year it raised 50 cents of every dollar of federal income. It is designed also to redistribute income.

But Egypt's experience demonstrates what an income tax can do. Karl Marx announced frankly what extreme socialism thought it could and hoped it would do. Every taxpayer knows how painful, how onerous, how discouraging bad income tax laws can be.

Is it too much to suggest, once again, that Congress toss this very unscientific law out the window and give us a new one?

Is it too much to ask that the new law go back to first principles, raise the necessary money—and redistribute incomes, if that is what the people really want—in a simple, equitable, scientific manner?

Is it too much to hope that we can get a law that will tax us with the least possible damage to the American economic system?

There's no reason in the world we shouldn't have such a law. No reason, that I can imagine, except lethargy or political cowardice.



that in the first year Joe got all their money, and took it to Pharaoh's house for safekeeping. They paid so much that in the second year he got all their horses, their sheep, their cattle and their asses. Came the third year, and they were back again.

"You've got all our money, boss," they said. "You've got all our cattle. The only things we have left are our land, our bodies and empty stomachs. Take our land, buy our bodies, and give us bread."

Joe took them up. He "bought all the land of Egypt for Pharaoh, and the people he moved to cities from one end of the borders of Egypt to the other end thereof."

Until I went back and reread

Speculate or Stagnate!

(Continued from page 30)

high of some \$34,000,000,000 in 1944.

Though lack of things to buy partly accounts for the extraordinary amounts of money-in-the-pocket in the war years, more permanent savings, such as insurance and deposits in savings and loan associations, continue to be high.

We are so wealthy a people, taken as a whole, that we spend staggering amounts for transitory things, and these expenditures get higher year by year. For instance, in 1939 our beauty parlor, barber shop and toiletries, liquor, wine and beer, tobacco, and recreation bill was around \$10,000,000,000. To-day it is more than \$25,000,000,000. Surely such a people should be willing, if properly persuaded, to invest \$7,000,000,000 in American business—and that is the highest estimate I have seen of the new risk capital needed annually from outside sources by business in the next few years.

Capital from many people

IT used to be a lot easier to raise venture capital, to be sure, when we could get it from a comparatively small number of people with comparatively large amounts of surplus funds. But we cannot, even if we would, turn the clock back to the 1920's or any other era. We must deal with facts as they are. And one all-important fact is that a great many more people have accumulated surplus wealth—but in much smaller average amounts—than was the case in the past.

I can imagine the cries of horror that would rise at any suggestion that some part of the American people's *savings* (a word that still retains a high moral flavor despite lack of encouragement from our political leadership) might well be used for *speculation* (a word to which that leadership has pretty successfully given a shady connotation).

I nevertheless submit that very suggestion as being both necessary and sound. Somebody must risk savings if our economic system, or any substitute, is going to continue to work. Actually there is no choice between whether our people will risk their savings or not risk them. The basic choice is whether we will do the speculating ourselves or let the Government speculate with our savings for us.



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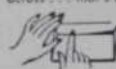
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I am not suggesting that every wage earner who manages to accumulate a little nest egg should trade in the stock market or invest in new stock issues. I do strongly suggest, however, that those many Americans who manage to accumulate fairly substantial surplus funds, or who could do so if convinced it was worth while, are the logical market today for the securities that business must sell to raise equity capital. And I maintain that it would be to their self-interest, as well as to the national interest, for them to put part of any such surplus funds into a share of American business.

It is axiomatic, I think, that the use of capital in business exposes that capital to the possibility of being totally lost. However, total losses are certainly exceptional when a well-informed, and well-investigated, risk is taken. As a matter of fact, the safety expected from investments often considered less risky than common stocks is, I think, likely to be overrated.

It is high time that we begin to praise those who take a risk. It is time to repudiate the false doctrine that our economy has become static and that growth is behind us.

It is time that the people of America wake up to the fact that they can live as they do only so long as they are willing to risk their capital in the hope of gain.

Better selling is needed

AND the men and women engaged in the American securities business all over the country had better think deeply about selling securities. Obviously, we have not been doing a very good job of it. Insurance salesmen are selling increasing amounts of insurance. Banks are selling their bank accounts with outstanding success. Investment trust salesmen are doing a rising business. But securities men generally are not selling; they are just handling the transactions that dribble in.

I suspect that part of the explanation may lie in the system of compensation which has grown up in the securities business. Perhaps in that system there is insufficient inducement to go out and sell. When you buy insurance, you do not seem to be paying the salesman, but you are. When you buy an investment trust stock, you pay an overriding charge for management, usually nine per cent, and the dealer who sells it to you receives about five per cent and probably

allows his salesman 2½ per cent. And when you put your money in the bank, the bank puts it to work and probably grosses about five per cent a year on it—out of which it pays for the advertising that may have persuaded you to open your account and for such interest as it allows you.

Commissions are too small

THE securities business operates on an ancient system of compensation. On secondary transactions it is a commission system, and those commissions amount to no more than a fraction of one per cent of the amount involved in the transaction. This system was built on the assumption that a large volume of business would flow from a relatively small number of people, and that large orders would offset the losses involved in handling small ones. With wealth and income so much more widely dispersed, this assumption no longer holds true.

On primary issues, the gross compensation is the dealer's spread, but this is now so compressed by competitive bidding that the differential on many issues is incredibly slight.

Yet the costs of doing business have increased greatly in the past 15 years. The days when people would buy securities at the mere suggestion of some pleasant-appearing fellow who happened to be a friend of a friend are gone—and are un lamented.

The only sound way to buy securities is on the basis of a thorough knowledge of the business factors involved and the only sound way to sell them is to be able to provide that knowledge. To do it, the business has had to build up extensive—and expensive—research and statistical services. Such services now have to be performed for thousands of customers to get as large a volume of business as dozens once provided.

I point this out not in apology for the securities business, but to indicate that we, ourselves, may well need to overcome obstacles of our own building.

I don't know just how, but I know we can find a way, if we set our minds to it.

The Government-imposed obstacles to the raising of venture capital are real and big. But there are also obstacles within the business which must be removed. There is too much at stake to fail and much left undone which can be done.

And Then, by Jing, It Friz

(Continued from page 39)

brought more damage, it was because there was more to damage. Oddly, both droughts came in the midst of national depressions.

The first began in 1890, when the settlement of the Great Plains was in infancy, and lasted until 1894, embracing the "panic of 1893." By the end of the first year crops were so thoroughly scorched and cattle so completely obliterated that the settlers gave up and moved elsewhere. But permanent settlement of the Great Plains was as inevitable as weather itself.

Drought came again in 1910, but it was relatively short-lived, its principal distinction being the birth of the dust bowl in Thomas County, Kan.

Drought and the dust bowl

THE second big drought began in 1931 and lasted until 1937. It was in 1934 that the famed dust bowl went to work in earnest. On May 10, a great black roller rose from the soil of Kansas and lashed about the plains, picking up every particle of earth it could pry loose. Then it went on a national spree. It blanketed ships in mid-Atlantic and blacked out cities along the eastern seaboard. On May 14, in Washington, Congress was in session at four p.m. when everything went black. Someone in the gallery rose and cried: "This is it! The world is doomed!" In Philadelphia, it was so dark at 4:10 that the pigeons deserted the ledges of the city hall building—the first half-day for pigeons on record in that city.

Then there is rain.

"Rain?" says the old-timer. "You kids don't know what rain is, not with the drizzles you get nowadays. Why, one week back in '75 in Ohio it rained so hard it was a national calamity!"

Because no official records are available of the 1875 deluge, it cannot be compared statistically with more recent rains. But whatever the statistics, it was a calamity. Rivers flooded. Farms were washed out. People and cattle drowned. Communities were inundated. Homes were destroyed.

The press agreed that the rainfall was catastrophic, and used it as an editorial weapon. One paper assured its readers it was the result of seven years of supplication for "a special dispensation that would

stop the popular game of baseball."

Even the politicians used the rain. The Ohio Democratic Party said it was the fault of the "infamous and corrupt radical administration . . . who shall argue when organs disagree . . . ?"

Baseball survived, the administration didn't and more rains came.

It rained so much in Pennsylvania in May, 1899, that a wall burst between the Conemaugh River and a lake above it, loosing a torrent that almost totally wiped out Johnstown. The Johnstown flood cost 2,205 lives.

"Yep, it really rained in those days."

But the records show no indication that the rains have been of lesser proportions in recent years. It rained in January, 1937, too, and the Ohio River swelled to 20 feet higher than its flood stage. The ensuing flood sent 165,000,000,000 tons of water over 196 counties in 12 states, taking hundreds of human lives, killing 1,000,000 animals, doing about \$300,000,000 worth of damage.

The late Charles Fort, philosopher and chronicler of heavenly downpourings, had a few million words to say on rain. Fort, in whose honor the Fortean Society—which set out to make man think—was formed, offered no clues as to whether the passing of time was a herald of more rain or less rain, but he did have considerable to say about variety.

Rain in varied forms

IN striking prose, Fort left word for posterity that in 1877 at Peckloh, Germany, it rained pellets shaped like arrows, coffee beans, horns and discs; in 1888 red rain fell over the Mediterranean area; in 1819 Canada had a jet black rain; and in 1903 the residents of Oudon, France, had a lavender-hued rainfall.

Fort's reports went beyond colors. He wrote that on April 19, 1836, in Allahabad, India, it rained what people swore were fish.

One learns that it rained hot water in Scotland in 1817; snakes at Granville, N. Y., in 1860; and ants in Cambridge, England, in 1874.

But nowhere in Fort's works or in any of the other material inspected in the preparation of this article were we able to find any evidence of whether it has ever actually rained "cats and dogs."

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The Patient's Dilemma

(Continued from page 52)

thing went fine. The departure of 400 doctors for war, of course, put a patriotic crimp in services asked and given. After the war, HSS members, now numbering around 17,000, discovered that they had a load of neglected ills.

In the red again

THE rush was on again. In 1946, San Francisco's compulsory health system—hailed by health reformers as a splendid example of what they wanted nationally—decided by "aginers" as a horrible example of what happens when a third party comes between doctor and patient—was running \$3,000 a month in the red.

The doctors made two requests for a 15 per cent fee increase to meet rising costs. The board tabled the first and took 90 days to reject the second! The doctors were down to 80 cents on a prewar dollar unit when the board in 1947 raised the premium to \$40.50.

Then, in May, Dr. Alexander S. Keenan, the medical director, wrote each panel doctor a letter. In one year, he said, expenditures for office calls had gone up 20 per cent; for laboratory tests, 34 per cent; X-ray examinations, 65 per cent; hospitalization, 87 per cent. The patients were demanding too much service, he ruled, and the doctors were giving them too much.

He said that municipal employes were seeking treatment for trivial things, "treated as well by their home remedies."

Dr. Keenan requested his medical fellows to "make a diagnosis without leaning so much upon the laboratories and the X-ray departments." Surveying X-ray records for those revealing disease, he said, "I feel safe in saying that between 50 and 60 per cent are unnecessary."

The panel doctors hit the ceiling. They protested that no one was going to tell them how to practice.

Dr. Anthony B. Diepenbrock, then Medical Society president and a panel doctor, wrote a letter to the HSS board. He condemned the Keenan directive as an attempt to "deny adequate medical care to the sick" and an admission that the system was "actuarially unsound."

Horried at the home-remedy suggestion, Dr. Diepenbrock found himself on solid ground, it ap-

peared, in defending the type of comprehensive diagnosis which compulsory health insurance advocates say should be put within reach of all. If from 50 to 60 per cent of the X-rays were negative, observed the indignant doctor, then apparently 40 to 50 per cent *did* reveal disease. Could the doctor tell in advance which would be negative?

Another "let's resign" movement spread through Medical Society ranks and, in November, 1947, after HSS had stalled off settlement of the dispute, more than 900 doctors walked out! The "striking doctors," as enemies called them, announced that they would treat municipal employes on a private basis. The Medical Society guaranteed none would lack adequate medical care through inability to pay. "The experiment has failed," said Diepenbrock.

The HSS fate is still unsettled. Established by law, it is now involved in a court fight over how it shall operate.

What are the lessons of the San Francisco story?

One seems to be that a compulsory system doesn't solve all your medical problems. It introduces new ones. People figure that if they are paying for service anyway, they ought to get their money's worth. Doctors refuse to accept responsibility for their patients and outside dictation, too. Dictation of how much and what kind of service they may give follows, however, when the administration's original demand for more adequate medical care results in a deficit and a counterdemand for less.

Jay C. Ketchum, executive director of the Michigan Medical Service, says it is impossible for either voluntary or compulsory insurance to offer comprehensive medical care at low cost and still remain solvent. This was learned the hard way by the Michigan Medical Service, the largest voluntary prepaid medical care group in the country, with 1,300,000 subscribers and ten years' experience.

The Michigan group tried to insure full medical care to workers with salaries up to \$2,500, beginning in 1941. At \$54 a year per family, the group ran itself more than \$700,000 in the red in two years. There were only 4,400 subscribers, but they got almost twice as much medical care as they paid for! The

group used accumulating reserves from its limited contracts to bail itself out during the next couple of years, and swore never again.

A voluntary contract limited to surgery and obstetrics, two of the biggest and most common medical expense headaches, now may be had in Michigan for \$27 a year. An additional \$12 will cover the family for medical care during hospitalization. Meanwhile, the Michigan Blue Cross hospitalization insurance offers a family 120 days' full coverage for each disability at \$48 a year. Maternity cases are accepted after the first nine months' membership, and mental or tuberculous patients are allowed 30 days in a general hospital.

Recent computations, Ketchum said, show that it would cost about \$180 a year to prepay full medical care for Detroit families earning up to \$4,000—or \$228 including Blue Cross hospitalization. That's nearly six per cent of a \$4,000 income. He doesn't regard this as insurance, but a sort of medical budget plan. He believes it is too high to attract many takers. Ewing offers the same package for \$160 a year in his scheme and throws in dental and home nursing care, drugs and appliances.

Will run at deficit

A BUSINESS man might wonder how the Government could do it. Ketchum's answer—and Hawley's, too—is that the Government can't—not without running up a big deficit. Ewing has provided for deficit-financing out of general appropriations, but nonetheless sees his plan as "resting upon insurance principles which have been part of our national fabric for generations."

Hawley has challenged this as a piece of deception. National health insurance is not insurance, but a form of socialized medicine, he says. Ewing denies this.

Ketchum regards national health insurance as merely tax-paid medical care superimposing a fictitious insurance superstructure on a charity base. The basic requirement of insurance, he said, is that penalties equal benefits. As he sees it, dropping into the doctor's office to have your throat swabbed or your heart checked is not an insurable loss.

All right, you might say, maybe national health insurance isn't really insurance and will annually cost the nation not four or six but *x* billions of dollars, but wouldn't it be worth shooting the works to improve our health and make us

live longer? This, after all, is Ewing's big selling point.

Hospital and medical authorities, in reply, mention certain economic and scientific realities. For one thing, insurance offers no solution for the treatment of mental disease, tuberculosis or other chronic, disabling and financially exhausting illnesses. Such conditions may require six months, a year or two years in the hospital at a huge cost per patient.

Chronic illness a problem

THE recovery or rehabilitation of the chronically disabled, therefore, would remain as it has in the past—a problem of increasing public support for free hospitals.

Included in this type of health breakdown are many who are stricken with one of our five leading killers—heart disease, cancer, brain hemorrhage, accident injuries and kidney disease. Ewing claims that national health insurance would save a great many who die of these diseases.

By this he means that such persons would then be able to afford examinations early enough and often enough so that the doctors could catch their troubles in time to do something about them.

But the trouble in San Francisco, as we saw, was that the compulsory system could not pay the expense of comprehensive examinations and hence ordered the doctors to cut down on them. There are limits to what Uncle Sam can spend, too.

Testimony on a previous Wagner-Murray-Dingell bill brought out that, if every doctor worked 60 hours a week, 50 weeks a year, each of us would annually be entitled to about four hours of a doctor's time. This would be enough for a careful physical examination for each of us, but would allow the doctor no time for treating the sick!

The health reformers' reply to that is that we can train more doctors to meet the increased demand. Again, we run into limitations, and this time unpleasant ones.

Take heart disease, the No. 1 killer. Doctors can get the best medical care in the world without charge, on a professional courtesy basis, and yet they have a higher heart death rate than the rest of us.

Take cancer, the No. 2 killer. Stomach cancer takes the highest toll among the various types of malignancy. Two Mayo Clinic radiologists, Drs. B. R. Kirklind and John R. Hodgson, recently stated that mass, X-ray detection of

stomach cancer in its early, treatable stage was "impossible." They listed several cancer specialists who failed to recognize the disease in themselves until it was too late.

Take brain hemorrhage, the No. 3 killer. President Roosevelt, under expert medical observation for years before his death at 63, died of brain hemorrhage which his physician, Admiral Ross T. McIntire, stated—with ample support of medical opinion—"was and is unpredictable."

Take accident injuries, the No. 4 killer. Ewing charged up 40,000 annual accident deaths to inadequate health and medical services, and Dr. Morris Fishbein, A.M.A. Journal editor, challenged him to show the National Safety Council how they could be prevented, or even "that any considerable number died without medical attention."

Take nephritis the No. 5 killer. Quoting the 1836 lament of Dr. Richard Bright about the lack of adequate treatment for the kidney disease named for him, Dr. Russell L. Cecil of Cornell University observes, more than 100 years later, "We, today, cannot cure the disease."

Cold loses most time

FOR that matter, take the common cold. Dr. Gilson Colby Engel, Pennsylvania State Medical Society president, cited Ewing's statement that the nation loses 4,300,000 man years of work each year due to bad health. This, Engel protested, is hardly an argument for a national experiment with medical care since time lost due to sickness already has been reduced from 27 to five days per worker in the past 40 years. "The majority of these work days lost are due to the common cold," he said. Staying home in bed is still about the most adequate treatment doctors can recommend for a cold.

The plain, simple fact is that medical science does not as yet have the cures, skills, tools, the men and the magic to make the Ewing health dream come true. Grant the difficulty in distinguishing between the doctors' material and spiritual motives for fighting government invasion of private medicine. Grant all their failings. They still have logical basis for arguing that compulsory health insurance won't help you, the patient. They have evidence that it might even hurt you.

Considering Ewing's lack of proof to the contrary, he appears to have made a pretty good case—for the doctors.



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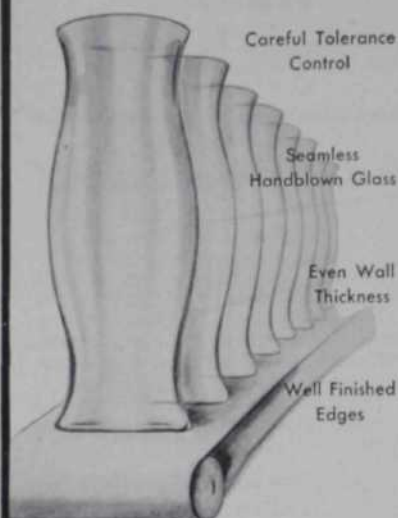
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On the Lighter Side of the Capital



Ordeal by cocktail

WHEN he was a young man he saw the water cure in operation in the Philippines. The victim was pegged out, given a chance to say what he should say if he wished to keep his health, and if he



failed water was poured in his mouth through a funnel:

"Once was usually enough," said the veteran.

Therefore he disagrees with new Senator Paul Douglas of Illinois, who has complained of the Washington habit of pouring cocktails down the necks of young congressmen. The veteran thinks it is good training for the neophytes. Certainly the hostess does not benefit. By the time she has pried off her shoes it is unlikely that she can remember the names of her congressional guests. The room may be whirling slightly. Any impression that might have been made on the presumably plastic mind of a new congressman at one party would be erased by the events at the next party.

"But it's grand practice," said the veteran from the Philippines. "Teaches 'em to carry their liquor."

Which recalls a story

STANLEY SUYDAM—the oil under the sea Suydam—tells of a cynic who refused to believe that either good or ill is ever accomplished at the enormous routs which Washington calls cocktail parties.

He maintains that the conversation is never anything but yak-yak.

To prove his point he said to the lovely woman to whom a total stranger had introduced him:

"I slipped a little cyanide into Mamma's gruel this morning. Knocked off the old girl."

The lovely lady screamed above the uproar:

"Oh—How perfectly charming!"

Sol Bloom tells one

REP. Sol Bloom—Finance Committee of the House—reminisced. He was the impresario of Little Egypt at the Chicago World's Fair, long, long ago. He was then in his twenties. He had little hope of selling the act to the Fair, but he made his spiel. The members of the entertainment committee listened to him with dead pans. He began to wonder how he could get the pretty creature out of town, plus a little food along the way. The spokesman for the committee asked:

"Could you take charge of the entertainment features for the Fair?"

"All of them?"

The committee said yes. He was pretty young, but he seemed to know his business. Bloom said that he would, at a price.

"We'll pay you \$50,000."

Bloom said the only man in the history of the world who was more surprised than he was at that point was probably Tom Dewey last November.



A cold and frosty morning

PRESIDENT Truman rose at 5:30. He took a medium-hot shower, followed by a dash of hot water, ending with a cascade of cold. Possibly he whistled. No definite information on this.

He breakfasted on a thin slice of ham, two eggs, and a slice of brown toast without butter. Flapjacks and the like are loved but not eaten because the President puts on weight like a boxer.

He walked 32 fast blocks, trailed by the Secret Service, hopped into his limousine, and was driven

briskly to Blair House and another cup of coffee.

The second shift of Secret Service men then took over while the first massaged their feet. They like him, they wish he had a heart.

Hoover reminiscences

THE plumber told young Herbert Hoover that he must go back to the shop to get another kind of tool.

Hoover was a youngish householder, but he had the orderly mind even then that distinguished him during his business career:

"Why don't you bring all the things you may need when you go on a job?" he asked.

"I couldn't do it unless I came in a truck," said the plumber.

When Hoover became Secretary of Commerce he began the program of simplification which resulted in a reduction of the number of kinds of nuts and bolts used in business. It is not stretching the imagination to credit that early plumber with firing up the train of thought which may result in a simplification of governmental processes. Even if Congress balks at the last moment some good had been done. Secretary of Defense Forrestal reports that whereas there were once 8,000,000 different items in the buying catalog of the combined forces there are now only 2,500,000. Which is just about one separate item for each individual in the Air Force, Army and Navy.

Wives will be served

THE four men were among the most eminent in the Capital. They are certainly in the second rank of statesmen. Everyone who can read knows their names. They were discussing matters which affect the lives of all Americans:

"Sorry," said the bartender. "Time to close up."

A fifth man joined them on their way out. He is one of the foremost surgeons in town. Emphasis is again laid on the quality of the five. All are topnotchers. Not one belonged to any one of the bottle clubs which make life bearable after midnight and so the surgeon said:

"Tell you what. You come out to my house, have a drink and finish your talk."

The surgeon opened the front door and ushered in his four eminent guests. A white figure ap-

peared at the top of the hall stairs. She said:

"Get those bums out of here."

The four eminent men—repeat; eminent—paused in the act of taking off their coats. The most eminent; name known in every world capital, said:

"Allez vous, bums. Out."

At the point of a gun

"I HAVE come to kill you," growled Mike Malinch to Edward Keating. He waved a blue gun under Keating's eyes. "You are a nameless thing—"

Keating said that was possible. He conceded that Malinch had a right to be sore about the paragraph in the *Pueblo Leader*, but not *that* sore. Everyone knew that Keating did not carry a gun. He had made a point of that when he bought the *Leader*. If Malinch shot him, Malinch would therefore be hanged, and Keating argued that the transaction would be unprofitable.

"You may be right," Malinch conceded after an hour's argument. "But I think you are just outtalking me."

He put away his gun.

They do get around

KEATING became a member of Congress and one day told the Malinch story to Fred C. Kelly, who was writing a newspaper column. He became and still is the editor of *Labor*, and Kelly began to scramble around over the world. After 30 years they met again in the Cosmos Club:

"I remember that story I wrote about you," said Kelly. "How you talked your way out of getting shot—"

"There's a follow-up," said Keating.

He encountered Mike Malinch again while visiting in Denver. Malinch was the gunman guard of a big shot in Denver and when he saw Keating recognized him. His reputation had been impaired, he said, by the story Kelly had written about the incident in *Pueblo* and could only be patched by blood. If Keating had not been able to persuade him that he knew nothing of the printed story, harm might have been done.

"Another hour wasted," said Mr. Keating to Kelly in the Cosmos Club.



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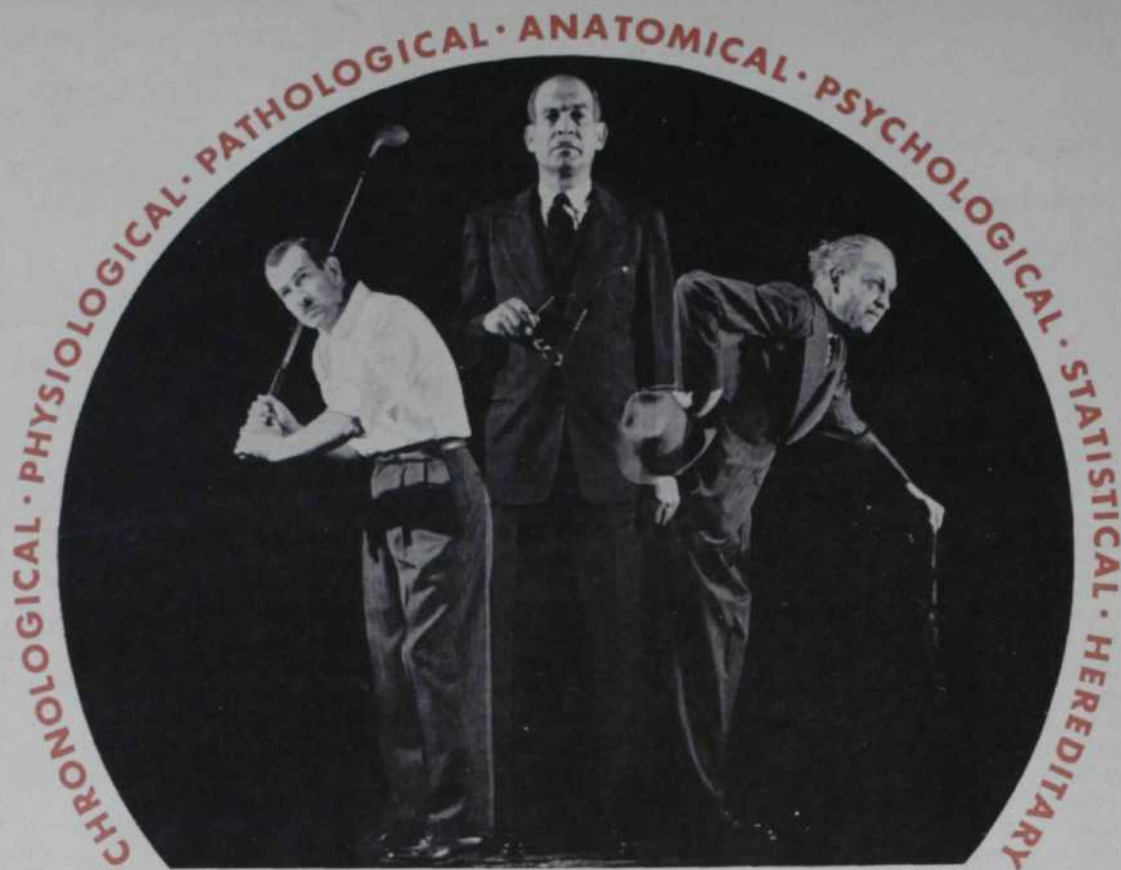
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Baby Food for Methuselah

By PETER J. WHELIHAN

DO YOU feel you've aged beyond your years? Most people do. Do you frequently think of your calendar age and sigh that you shouldn't expect to feel any better? Are you resigned to the aches and pains that subtly move in after one is 40 or 45?

If the answer is yes, your enthusiasm for working and living is disappearing. Your emotions are going stale. You're acquiring a dull, unhappy, frustrated psyche. Bluntly, you're vegetating.

But all that can be changed. Reversing the old proverb, it isn't as late as you think. Literally, you can be de-aged!

No magic medicine has been cooked up, nor is it done with a new set of glands. The answer is so simple that some day in the foreseeable future a large part of the requisites will be found in ready shape on the shelves of your neighborhood food market. Already a long step in that direction has been taken and the pace is quickening.

Behind the whole picture is the science of geriatrics. Although the

MANY a man, with the years sneaking up on him, has wished that Ponce de Leon had had better luck. Here is the next best thing

field is not new, an awareness of its achievements is just reaching the general public. Now the science is being put to a practical application on a scale to make its miracles available to almost everyone.

Geriatrics embraces the study of the aging processes in humans and the search for means of slowing them down. Already it has added years to human life. Now it aims to add life to those years. To a geriatrician, age does not mean how long you've lived, but how you feel and think right now. "As a man thinketh in his heart, so is he" epitomizes the doctrine of geriatrics.

Medical treatment is important, but the keystone of the anti-aging science is diet and wholesome living. That's where the food processors enter the picture. Their re-

search laboratories and other experimental organizations are busy. New prepared foods have been or are being developed to supply the elements essential to the well-being of men and women who have passed the rosier years known as Youth.

A new industry within an industry is under way and its spokesmen say its potentialities in both commercial and human values are enormous. They predict it will dwarf the thriving baby-food industry. The latter got off to a less auspicious start a quarter of a century ago when Dan Gerber, night manager of a small restaurant, faced the problem of finding vegetables and other foods sufficiently refined for a delicate baby. For lack of another supply source, he himself minced spinach, grated car-

rots, ground up beets and similarly processed other viands to solve the difficulty. Soon he was filling orders from other parents. From that modest start in Fremont, Mich., the baby-food industry burgeoned. In 1948 its sales topped \$150,000,000.

Since there are about 50,000,000 Americans of 40 or more, most of them likely subjects for the stay-young, or de-aging, formula, a billion-dollar-a-year business is regarded as an early possibility.

An understanding of the meaning of age is necessary to one who would combat it. One of the foremost men in geriatrics, Dr. C. Ward Crampton of New York, has spent 40 years in the field. In that time he has brought many patients from youth to early old age with robust health and mental vigor belying their years.

Today a man of 60 or even older may be as vigorous as the average man of 40, says Dr. Crampton, or he may appear as a man of 80, feeble and miserable. A man ages throughout and he ages in sections. Human organs age unevenly if left to themselves. A man of 60 may have a 40 year old heart, 50 year old kidneys and an 80 year old liver. Too often he may have 30 year old ideas. It all adds up to trouble.

Seven "ages" for man

ACTUALLY there are seven different "ages" upon which to compute one's real age: chronological, or age in years; physiological, pathological, anatomical, psychological, statistical, and hereditary. The physician could determine one's age in each classification, add the total and divide by seven, with the answer usually differing widely from the chronological age.

Significantly, four of the seven classifications offer opportunities for "de-aging" through dietary care. Two of them involve other factors. Concerning age in years—nothing can be done.

Anatomical age involves the growth and change of organs, cells and tissues, such as in a man of 60 with arteries of 80. These arteries may be softening from a lining of a fatty substance known as cholesterol. One de-aging treatment would be to place the patient on a diet low in cholesterol, without such things as eggs, cream and meat fats.

Physiological age deals with organic functioning. A person with a young heart could be handicapped with an old stomach that produced less hydrochloric acid and pepsin than it should. The stomach might act much younger

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if foods and medicines which build up the hydrochloric acid intake were taken.

In pathological age come the deteriorating diseases, such as a severe attack of influenza, which could age by ten years a person in the 40's or 50's. A scarcely noticeable gall bladder or sinus infection could cause premature aging. Elimination of the infection with medicine, and development of resistance with proper nourishment, would mean new health and vigor.

Psychological age denotes mental and emotional outlook. Life means action and a stagnant life may be transformed by correcting nutritional deficiencies in vitamin B₁, sodium chloride, calcium, iron or protein.

Statistical age refers to man's life expectancy, which is increasing, though in varying degrees according to sex, occupation, geography, race and medical care. In 1920,

a male at birth had a life expectancy of 56 years. For the female it was almost 59. Today it is more than 65 and 70, respectively, and still growing.

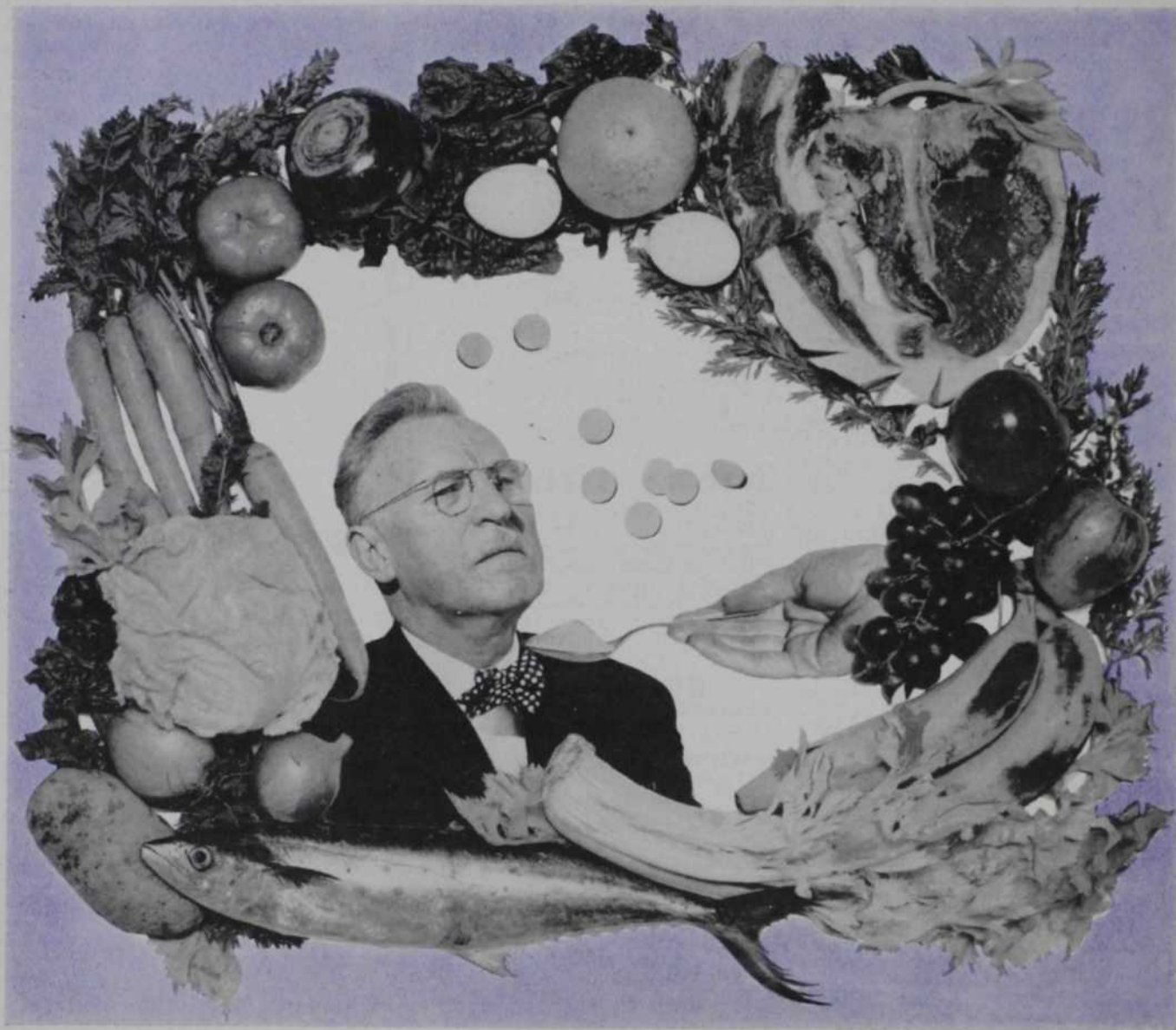
One of the first evidences of age comes when the shoulders droop and the body sags from the pull of gravity alone. Don't try to tell yourself it's due to overwork or heavy thinking. You're probably not eating right. At any age this washed-out feeling and appearance are results of weakness, and the cause of further weakness in the future. It might have started as bad posture in childhood, resulting in mediocre health in youth and inviting a run-down condition in middle years.

Aging takes other forms. Some people shrink with the years. Others take on bulk. Those who shrink live longer. In fact, bulky, overweight persons seldom have an old-age problem. They don't stay

around long enough. Their cells, instead of quietly shrinking, collect and store up inert matter, such as fat, particularly around the heart and the arteries. This interferes with circulation and body nourishment. When the organs need more blood, the heart must pump harder and the pressure rises.

In this manner the body resists aging, but the harder it fights the wearier it gets and all its tissues and organs suffer. That accounts for the terrific increase in heart ailments, the nation's number one death cause. And diet plays a profound part in it all, the medical authorities agree. The thyroid gland maintains the basal metabolism and feeds the fires of life. Thyroid aging may be affected by sex-gland aging and the latter, in turn, results from faulty nutrition, illness and poor management.

Despite the heavy toll of heart



Diet and wholesome living are the keys to longevity

ailments that organ itself is not the delicate mechanism that many imagine it to be, nor does it have to be pampered. Instead, years of study have shown it to be a powerful muscle that thrives on exercise. A mouse's heart beats 600 times a minute and the creature dies in two or three years. An elephant, with 28 heart beats a minute, lives 70 to 100 years. The greatest athletes have slow hearts, beating 45 to 50 times a minute.

One of Dr. Crampton's earliest patients was Joe Fogler, who at 20 years of age was champion in the grueling field of six-day bicycle racing. He had a big, muscular heart beating 42 times a minute. Not long ago, Fogler, now 60, underwent an examination and, like a powerful engine, his heart was still beating 42 to the minute. Not a fractional change in 40 years!

Fogler's nearly perfect health was founded on dietary control, regular examination by his doctor and a keen awareness of the dangers in the misuse of alcohol and tobacco. Liquor can help or hinder. Alcohol is a vasodilator which relaxes the coronary arteries and relieves strain on them. On the other hand, it is bad for arthritics.

The other case histories are illustrative. John Hardwicke (the name is fictitious) is 60, solidly built, a former college athlete "never sick a day in my life." He's five-feet-ten, weighs 192, and comes in for a medical checkup—"have a mild chest dullness occasionally, possibly a little blood pressure. Perhaps some arthritis."

Advancing age spotted

HE had the right idea in getting a "pre-trouble examination." In the past ten or 20 years conditions related to aging had set in. He had infections in his sinuses, in his well-preserved but half-dead teeth and in both prostate and tonsil areas. This might have been one of the causes of arthritis showing in his slightly bulging knuckles and mouse-bitten joints. The congested prostate had affected the bladder and reached the kidneys, which were already damaged. High blood pressure had caused a heart condition with probably a deposit of cholesterol in the aortic lining.

It took some digging to find the roots of the trouble. The fact was that Hardwicke, a millionaire business man, was slowly dying of malnutrition! During his long absence from his doctor he had acquired the notion that proteins, especially in meats, are bad for one after 40, especially if arthritis

is threatened. So he prescribed his own diet, starved himself and became protein-poor. All tissues of the body, which are largely protein, became affected. Additionally, he had become anemic, iron-poor, calcium-poor and subthyroid.

Hardwicke is now on a dietary regime which with medication promises new strength and power to his 60's, plus decent health and serenity to his 70's.

Quite different is the case of Judge Ashton (also a fictitious name). He is a vigorous 70, physically erect, alert, his gray head held high on a pair of square shoulders. His skin is firm and fresh and his eyes clear. There are no knotted knuckles from arthritic deposits. His blood pressure is a steady 130, the reputed normal of a man of 30.

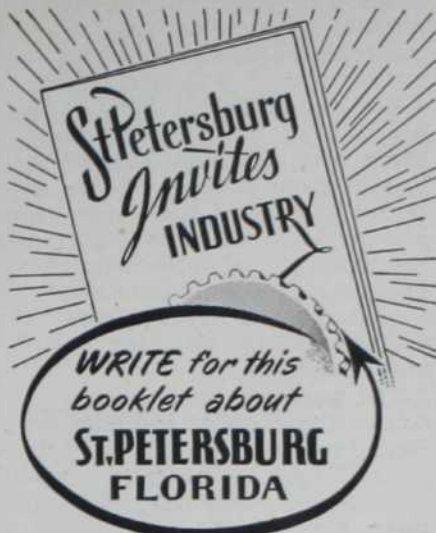
Still hale and hearty

RECENTLY he gave up tennis because he was unable to slow down the slashing hard game he had always played. But he still plays a powerful game of golf, rides like a Cossack, fishes for tarpon and hunts all kinds of game from quail to moose. At 60 he took up duck hunting, a robust sport that can discourage a younger man. On top of it all he runs his own business, is a political crusader on the side and finds time for a large circle of friends.

What is the judge's health secret? For 20 years he has been under guidance of a physician who knows men, medicine and foods.

But the judge is a rare exception. Unfortunately, most men of 60 or more have one or more diseases or body deficiencies, though they may say they are in pretty good health but just getting old. They bear the marks of a lifetime battle against wear and illness. Chief diet defects in the adult are in calcium, iron and protein. Seventy-five per cent of men from 60 on suffer a shortage of one or more. The American diet is more deficient in calcium than in any other element. Yet many suffer dietary excesses, chiefly in sugars and starches, and sometimes in cholesterol.

Protein poverty is one of the commonest forms of malnutrition in the aging. It affects the whole being. It causes anemia (low hemoglobin), edema (collection of stagnant fluids in abdominal, facial and ankle tissue) and asthenia (general weakness). Resistance to diseases diminishes and they occur frequently. Iodine deficiency also is common. An over-tired man of 50 with such a thyroid deficiency could get as much stimu-



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lation and more real benefit from a few milligrams of iodine daily than from a cocktail.

The basic difficulty is not a shortage of the right foods. There is an abundance of everything containing the essential elements. For example, a quart of milk daily would supply all the calcium anyone would need. Other common foods are rich in iron, protein, iodine, vitamins or other elements.

The trouble is, most people don't know what things they should eat, or the best way of preparing them, or they just won't take them because they don't like them. Some of the worst cases of malnutrition are found among the addicts of so-called health diets. A major obstacle is the fact that people of middle years or past become finicky in their eating. They won't eat many of the things they need and overindulge in the harmful. They become run-down, and the weakened stomach means still more finicky appetite. A deplorably large number have ill-fitting dentures or none at all, and are unable to consume needed foods such as meat.

So it's up to the food manufacturers to supply the needed elements in palatable form, handily packaged and easy to prepare and serve. And that's what the industry is beginning to do. The wartime development of concentrated rations gave the project terrific impetus. Yet the industry hastens to assure us we won't be reduced to life on K-rations with hardtack for dessert. Neither can we rush out now and buy a porterhouse steak in a capsule, or find a full meal in a few pellets to be carried in the vest pocket. But the prospects are promising and a new pattern of eating might be evolved, with radical conceptions of what constitutes a nourishing meal.

The manufacturers are proceeding cautiously. They are not promoting a fad. Because the subject involves such a careful balance of essential minerals and other elements, they are working closely with the medical profession.

Probably the first product designed specifically to meet the needs of older people is being marketed by the Borden Company. To guard against unwarranted enthusiasm, the company so far has restricted its distribution to drug-stores. Thus its sale depends chiefly upon the recommendation of physicians, but it is sold without prescription. It is a powdery sub-



Age is not simply a matter of years to the geriatrician

stance, packed in one-pound cans, known as Gerilac. Carrying the approval of the American Medical Association, it is said to contain all the vitamins, minerals, fats, proteins and carbohydrates necessary to meet an adult's daily needs, along with ten per cent of the caloric requirements. Reduced to liquid form, Gerilac tastes like milk. Two eight-ounce glasses a day supply one's quota.

The Borden Company reports sales for the first two years have justified the product and encouragement plans for broader development. Heaviest sales are reputed in Florida, California and other areas of mild climate which have drawn more than a normal proportion of people past the more active stage of life.

More recently the Home Products Company entered the field. Here, too, the association with the medical world is evidenced by the firm's decision to market its product through a subsidiary pharmaceutical house, Wyeth, Inc., of Philadelphia. Wyeth is putting out a tasteless vitamin-and-mineral-rich fluid called Daptar, which can

be added to soups or tea without altering their flavor.

More spectacular products are being discussed off the record in the food industry, but details remain closely guarded trade secrets. One spokesman said the field is the most important opened to the industry in a generation, not even excepting frozen food.

Up and down the country research and experiment are going on steadily. At Iowa State College, Dr. Pearl Swanson is conducting studies to determine whether certain pain symptoms afflicting older women are connected with characteristic dietary patterns. In the land-grant colleges of the north central states the home economics departments are examining the dietary customs of women from 30 to 80. Similar studies in Michigan have revealed a high incidence of excessive blood pressure and degenerative arthritis among women.

At Columbia University in New York, Dr. Henry C. Sherman is attracting attention with experiments on the extension of the prime life

through improvement of diet. Studies carry through a number of generations. Feeding experiments with several generations of animals have convinced Dr. Sherman that two to four times the accepted minimum requirements of Vitamin A, riboflavin and calcium in otherwise-adequate diets are better in the long run than just enough.

The findings are coming in steadily but it will take time to translate them into handy packs of nourishment. Still, it appears that a new hand will be dealt in the future to those now considered past their prime.

The nation and world probably would be the richer for it all. The leaders in great crises have been men of years and wisdom. Great achievements in science, literature, statesmanship and industry have been made by so-called old men. Oliver Wendell Holmes was an alert member of the United States Supreme Court until 91. Henry Ford came out of retirement at 80 to become president of the Ford Motor Company the second time. The future may produce countless numbers like them.

Greener Pastures Nearer Home

(Continued from page 45)

vent your spectacles and wind-shield from fogging up in damp weather.

In states where a healthy balance already exists between industry and agriculture, the agencies are naturally concentrating on other programs. In Missouri, I found that a great deal of emphasis is being put on the development of airports and the planning of recreational facilities. In Ohio, beach erosion control, improvement of penal institutions and revision of an obsolete building code rank high among the objectives of the Post-War Program Commission.

Help for mining areas

IN Michigan, still another kind of problem is being tackled. Due to the gradual depletion of copper and high-grade iron ore in the state's Upper Peninsula, the whole area has been losing population and income for several years. The region is not adaptable to agriculture and many Michiganders felt it would eventually have to be turned back to the timber wolves, but the Department of Economic Development, directed by Maj. Gen. Ralph Royce, decided to make some surveys just the same.

It was discovered that many towns and villages in the Upper Peninsula would provide excellent industrial sites, especially for printing and lithographing concerns.

Influenced by these findings, business men of the area have joined hands with the Department in working out long-range plans for the Upper Peninsula. Brochures describing its advantages have been sent to industrial realtors, and there is a growing belief that the region can stave off economic death and gradually be rehabilitated.

The Michigan Department has several other projects underway. One envisions the control of three rivers which now cost the state \$3,000,000 annually in erosion, flood damage and pollution of fishing waters. Another is directed at greater utilization of the state's gas and power resources.

The agencies of three states—New York, Missouri and Arkansas—have offices in Washington, D. C. Their representatives there watch day-by-day developments in Congress and federal bureaus which

concern their states' business interests, and perform many other services which the public seldom hears about.

In several sections of the country, state agencies which have common problems or objectives have joined forces in order to fight for them more effectively. A North-eastern States Regional Conference, for example, is promoting the tourist industry throughout the area it represents, and opposing proposals for the decentralization of heavy industry. Missouri Valley, Mid-Continent and Southern Conferences have been formed, too.

Most of the agencies also belong to a national organization, the Association of State Planning and Development Agencies, with headquarters in Chicago. The Association does not take sides in issues involving legislation or attempt to regulate the policies of its member groups, but serves them as a clearinghouse of information.

It cannot be said that all the agencies are doing a good job. Some have such small appropriations that their programs are limited and others are accused of devoting too much time to planning and not enough to development.

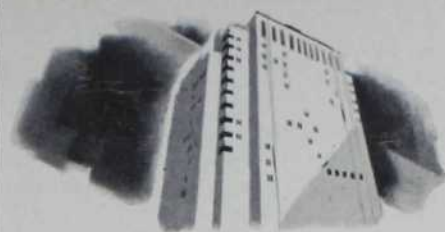
Planning is necessary

SOME business men hate the word "planning," it is true.

But one industrialist said to me, "You wouldn't have a loaf of bread on your table if a lot of people hadn't done a lot of planning in the past, and we need more planning today than ever before. If we don't get smart and do it on local and state levels there is one thing we can be sure of—Uncle Sam will step in and do it for us. Most of us don't want that and that's why we're all in favor of our state development agencies."

The state planning and development movement is still so new that many business men don't know what the agencies in their own states are prepared to do for them or for their communities.

But this new movement in government looks promising indeed. Total appropriations for all the state agencies amount to only \$11,000,000 annually. They already repay industry and the people many times that amount in practical benefits. In the years ahead they may go far toward mending weak spots in our economy.



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The Prudent Man's Last Stand

(Continued from page 33)

To make the clients feel at home, the State Street Trust Company has decorated its interior in early Colonial style. There is no bank like it in America. Its check-writing and coupon-clipping desks are copies of old refectory tables, lighted by ancient whale oil lamps, now electrified. Some of its pewter inkwells were used in counting houses two centuries ago. Beyond the Colonial atmosphere, the State Street trustees have somewhat the same absorbed interest in the well-being of their clients as do the private trustees.

One of the trust officers, for example, ran a dentist's office for an heir until a purchaser took over. Another managed a gasoline station and a third took charge of several milk farms left in trust. One trust provides for the welfare of a dog named "Tuffy," now living in Maine, and another takes care of a Mexican parrot, the beneficiary of a trust created 20 years ago. The bank's trust officer took charge of "Polly," disputing an unreasonable tax claim on the parrot's inheritance until the bird became the wealthiest in all of North America.

While the banks and investment trusts are thriving, Boston's die-hard trustees are still waging battle against the corporate way of doing things. They are wise, solemn gentlemen, as reticent and self-contained as a Boston cod. Despite the wealth and power they control, they work at ancient roll-top desks in bleak offices.

"We don't go in for fancy furniture," one trustee declares. "This desk and these chairs belonged to my grandfather and they'll stay here as long as they hold together. Besides, my clients seem to like the old furniture. It's part of the tradition that keeps this business going."

Augustus P. Loring, Jr., maintains that tradition in a firm that dates back to Nathaniel Bowditch, the navigator and trustee, who once chided Daniel Webster for failing to pay a bill on time. G. Peabody Gardner is the fourth generation in an office opened by his great-grandfather, and Francis Welch has taken over from his father, the late, famed E. Sohler Welch. The elder Welch, who personally controlled estates worth more than \$100,000,000, could never believe that the corporation would replace the private trustee.

"The reason we stay in business," he said, "is that the size of the estate we handle makes little difference in the amount of service we give. People come to us for advice on the most intimate and confidential matters. We hire their cooks for them and fire them when necessary. We buy their steamship tickets and arrange for their passports."

"The older families," he added, "naturally wish to deal with someone whom they know, someone who moves in the same social environment and has a similarity of tastes and traditions."

The Boston trustee first came to power in 1820, when Yankee ships set sail for the harbors of the world and the counting houses at home measured the growing prosperity.



"I understand I can consolidate my debts with you people? I can? Good, here's the setup—I owe Frankie a punch in the nose, Marvin a kick in the teeth, Billy a sock on the jaw. . . ."

The merchant class, with its instinct for family pride and sense of property, dominated Boston. For financial guidance, the merchants turned to their attorneys, who at first made the management of estates a sideline to their legal practice. But as wealth accumulated, the attorneys spent full time managing trusts and expanded them with investments in cotton mills, real estate and railroads.

After the Civil War, the trustee was firmly established. His advice was sought in personal as well as financial matters and well-reared sons were sent to see him before

venturing into business. Very often, they were obliged to see him to get money for their ventures.

Recently, one trustee turned down an heir who wanted to plunge in television. "I advised him against it," the trustee declared sharply. "The lad is going about town badmouthing me, but I'm not bothered."

Until the twentieth century, the trustees were so successful that many old families lived entirely on the income of their invested capital. Some frugal trustees even counseled against using the entire income. "Child," they would say, "let us re-invest. If you live wisely, you ought to manage well on the income of your income." Eventually, the trustee became so venerated that, when the head of the family was about to expire, the proper Bostonian would say: "One must first call the doctor, then the mortician and then the trustee."

Through the years, the Boston trustee has lived on six per cent of the incomes he has produced, which was usually plenty for both himself and his clients. By habit, he invested with caution and his few mistakes made him even more cautious. Of these, the most shocking was the failure of the Boston & Maine and the New York, New Haven and Hartford railroads 20 years ago. Founded on Boston capital, they were as much Boston institutions as the trustee himself. Because every purchase or sale of stock is considered a risk, the trustees mistakenly reasoned that it was more risky to withdraw than to let their investments ride.

With caution trained or inbred, the Boston trustees have made few mistakes. They have followed the maxims of their merchant grandfathers, hardheaded men like John Lowell Gardner who used to say: "The only difference between a successful man and a failure is that the successful man is mistaken only two times out of five, and the unsuccessful man is mistaken three times out of five."

The trustees made their second hideous mistake over that expert hornswoggler, Ivar Kreuger of Sweden. The match king burned their fingers and they've never forgotten it.

Kreuger's buoyant personality overwhelmed Boston. He fascinated the investment banking house of Lee, Higginson & Co., which heard him deliver a lecture called "How to Succeed" and brought a number of trustees to his support. When the Kreuger empire collapsed, it deprived Boston of \$25,000,000 and confirmed the

trustees in their suspicion of all foreigners, even as close as Manhattan.

Since then, they've examined the most gilt-edged investments with a beady eye. They've learned to react as unpleasantly to sudden upward as to sudden downward trends in business. Not long ago, several trustees withdrew their support from a seasoned Boston concern whose sales volume had increased alarmingly. They looked into the firm and found that a young sales manager was in charge while the president had gone to Florida. "The place for the president," one trustee said as he sold his stock, "is back at his desk."

Few ever retire

RARELY does one of these gentlemen retire from active practice. They believe that only a seasoned trustee can make seasoned investments and they feel the weight of their responsibility. A while back, however, one of them in his eighties did decide to retire. For 20 years, he had trained his son in handling finances. But instead of appointing his son to succeed him, he called in his younger brother, who was 76. His son was a Phi Beta Kappa, a graduate of Yale and the Harvard Law School, but he was merely 52 years old. As the old gentleman put it, "Junior needed a bit more seasoning."

Among these aged and remarkable veterans, Donald Holbrook is considered a rebel. A youngster in his late forties, he smokes a pipe, wears a tweed jacket and half-moon glasses which give him an owl-like look. Holbrook runs his own trust office from a modern flat-top desk and frankly admits there is little future in being a private trustee. "We're making our last stand," he says. "Eventually the corporate trusts will take us over. After all, banks don't die."

Holbrook has heard the critics who say that much of the wealth left in trust is static and doesn't help progress. "I agree with them," he says. "Most of it is used for the benefit of the old, not the young."

Meeting the critics, Holbrook recently founded the Paget Corporation, which is designed to put trust funds to more active but just as prudent use. He has allotted five per cent of the assets under his control for buying and building up selected small businesses. His first venture is a new country general store in Littleton Common, a village at the hub of 25 prosperous Massachusetts communities. He has stocked its shelves abundantly

and installed as proprietor a World War II veteran trained in chain-store methods. Although he has shocked some of the elder trustees, his store and his trusts are doing nicely.

While Donald Holbrook is first-family Boston, Paul Cabot is first family among the first families. In the vigorous Cabot clan, which has produced generations of able merchants, doctors, professors and bankers, Paul Cabot is the modern-day version of the Boston trustee. He is also treasurer and trustee for Harvard University, which puts him in custody of some \$300,000,000. Paul Cabot is also the son of a Boston trustee. As a young man, he demonstrated to his father that there were other good investments besides American Tel. & Tel. and the Boston and Maine.

Young Paul was determined that International Harvester looked like a good buy and said so. His father replied that it didn't look safe to him. "If you want to lose your money," he said, "go ahead." The elder Cabot advanced a few thousand dollars. Instead of losing it, his son ran it up to a million and he has done respectably ever since.

Trustees, not counselors

IF the star of the Boston trustee is setting, it should take some time before it goes out altogether. Not long ago, a group of young experts from the Securities & Exchange Commission came up to Boston to look into trustees. They had the notion that trustees might also be classified as financial counselors and would therefore be obliged to report to the Government about their activities.

They questioned one of Boston's elder trustees at great length. The old gentleman declared that he didn't give financial counsel, but simply invested the money entrusted to him as he saw fit.

"Do you mind if we look through your correspondence?" asked one of the experts.

The trustee choked, then snapped: "No, go right ahead!"

The men from Washington read through a dozen letters at random. None of them asked for financial advice. The general tone of the letters, as one of the experts said later, was: "Take everything I've got and do what you want. Just don't bother me about details."

Before the young men departed, they observed: "Why, you're practically a czar!"

"No, I'm not a czar," the trustee said calmly. "But I am given a certain amount of power."



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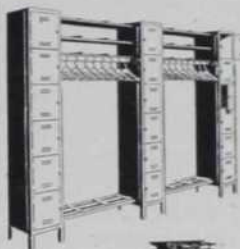
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Main Event: TV vs SRO

(Continued from page 48)

by attracting women and children who never shared pop's enthusiasm for the action and excitement of competition until it was introduced in the home. The bulk of informed opinion holds to the opposite viewpoint. Asa Bushnell, commissioner of the Eastern College Athletic Conference, has said: "Unless the colleges cooperate intelligently in limiting telecasts of their football games, they'll never sell another ticket beyond the 20 yard line."

Bill Bingham, graduate manager of athletics at Harvard, threw a curve ball at NBC in December when the future role of television came up in an open forum.

"We have approximately 20,000 seats in our end zones," Bingham said. "They sell for \$4 a seat. Would a sponsor be willing to pay us \$80,000 a game if the end zones were empty?"

The answer was a loud, pear-shaped "No!" of course.

Fees go up and down

TELEVISION prices fluctuate with the appeal of each contest. The standard fee for college football games is \$2,500 except the Army-Navy and Navy-Notre Dame brawls, which bring \$10,000 each. CBS blew its top in a ten-year contract giving the Rose Bowl \$100,000 a year for the New Year's Day clambake at Pasadena, but it deliberately went overboard to take the game away from NBC. (Rights for radio and movies—which CBS showed on television throughout the country—were included in the deal.) Pro football teams get about \$3,000 for each telecast game; the Chicago Bears played it cozy and held out to midseason last year until they got \$5,000. Baseball rates are surprisingly low, considering the long season. Of the \$350,000 the Yankees are getting out of thin air this year, \$150,000 is earmarked for television. Other clubs realize about \$1,000 a game.

Looking beyond the current hysteria to the time when television no longer is a novelty, it is safe to predict that sports will go on in traditional fashion, with one exception. The cash customer will not be rendered obsolete, nor will there be any radical change in the presentation of events. Making due allowances for technical improvements sure to come, television never will be completely satisfac-

tory for the baseball fan. The field is so large and the ball so small that the camera cannot follow the swiftly changing patterns of play. Football is much better, but it's an emotional game that derives excitement from the crowd. Watching it over television as a steady diet is likely to become as flat and frustrating as living in the same apartment house with Rita Hayworth, only eight floors removed.

The same generalization can be applied to basketball and hockey, which come over the megacycles very satisfactorily. Maybe too well. Watching these sports on television, insulated from the electricity a crowd generates, casual observers often find them pretty monotonous. Dyed-in-the-wool nuts are outraged by this reaction, but there's something to it. Despite all the antic activity, there is so little variety in the basic plays that move the ball over the court, or the puck across the rink, that the appeal of basketball and hockey seems to be limited to inveterate fans. The result is that many furrowed brows are sprouting around Madison Square Garden, which gets \$126,000 a year for television rights for all its attractions. Television is so good for people who understand the games that they are staying home, but it doesn't seem to be luring many new clients.

A change of tune

NED IRISH, executive director of the Garden, was a strong booster for television last year. "It's bound to make new customers who never have been exposed before to certain events," he argued. He since has changed his tune. Last winter, for the first time in six years, every basketball and hockey game in the Garden was *not* an automatic sell-out.

The conspicuous exception is boxing, for two reasons. It is: (1) Perfect for television because the action is concentrated in an area 20 feet square; (2) The one sport that lends itself to commercial exploitation.

In the near future you will be hearing about a "scrambled channel" and a gadget, already perfected, which decodes programs that are unintelligible without it. The big idea is that the gadget is rented for home use on a monthly basis to receive special events that are too expensive to be given away

free by an advertiser. The FCC, holding to the theory that the air belongs to the public, opposes the scrambled channel, but if the Supreme Court sanctions it, championship fights a decade hence will be seen by millions of remote, but cash, customers.

TV needs less sport

OTHERWISE, promoters waiting confidently for a bonanza from television are forgetting the fast brush-off they got after radio was stabilized. During the early days of broadcasting, networks bid like crazy for all sporting events, then presently made a series of sobering discoveries. Sports are largely local in interest; the only events that command the national attention worthy of network distribution are the World Series, heavyweight championship fights, the Kentucky Derby and the Army-Navy and bowl football games. As a result, sports were relegated to local independent stations, and the same thing will happen when television shakes down. The big money is in network shows and 98 per cent of sports simply does not justify such strains on sponsors' budgets.

Up to now, sports have been popular on television largely by default. The few variety shows already on the air have pushed sports into a weak No. 2 spot and dramatic programs are coming up fast on the pole. When the Jack Bennys, Bob Hopes, Bing Crosbys and, heaven help us, soap operas turn to television, sports will be relieved of the dilemma of deciding whether or not to telecast. The networks won't want them. The first feather in the wind from that direction already has been observed. Although the Brooklyn Dodgers announced they wanted to schedule 28 night ball games for 1949—double the number they played last season—they settled for 21. Why? They couldn't get the extra time on the air from radio and television. Five half-hour shows return more money than a baseball or football game, there never is a postponement because of bad weather, and there are no extra-inning games to mess up schedules.

The first—and best—gag inspired by television is recommended to promoters for future reference. An elderly woman, seeing a television set for the first time, was disturbed by the wires coming out of the cabinet.

"Will it give me a shock?" she asked timidly.

"Not unless you look at the programs," was the reply.

By My Way

By R. L. DUFFUS



Unfair

I HATE to seem querulous, but it does seem to me that our federal income tax law is class legislation: it discriminates against those of us who stood at or near the foot of the class when we were studying arithmetic.

Are commercials a duty?

SOMETIMES, but not always, I listen to the radio. I do not like to have programs interrupted by commercials. Some sponsors understand how I feel about this and put the commercials at the beginning and end. This is a kindly act, and I am grateful. But I find myself tempted to turn the radio on after I know the beginning commercial is over and to turn it off before the ending commercial can let out a single peep. If I could be arrested for doing this I wouldn't do it. What I am wrestling with is my conscience. If everybody acted as I do the radio industry would lose its sponsors and go bankrupt. The federal Government would then have to take it over and the next thing we know every program would sound like something out of the Government Printing Office. I wouldn't like this, but my conscience tells me I am not doing anything to prevent it. I guess I will just have to grit my teeth and listen straight through.

In praise of "galluses"

THE ARMY—at least that portion of it that operates in Alaska—is having suspenders issued to it. The other services think this is funny. The Air Force is even said to have suggested that safety pins might be better. The truth is, and I believe should be pointed out at this time, that suspenders were worn by American soldiers before there was any Air Force. They certainly had them during the Spanish-American War, as did self-respecting, God-fearing civilians. Suspenders sometimes seem to be going out (for instance, I was not allowed to

wear them when I was a freshman in college) but they always come back. Suspenders—galluses, as we used to call them—are a part of the American tradition. They have held up the American pant, off and on, for generations. If a man was poor but honest he might have only one suspender, but he did his best. I have known such men, and revered them, and worried about them. Sometimes they chewed tobacco and could kill a fly 15 feet off, and never think twice about it. And so my sympathies are with the soldiers in Alaska, linked by this symbol with a heroic past.



Petunia in winter

PETUNIA, the philosophical Duffus cat, has got through the winter very comfortably so far. When we point out to her that it is not a good thing for her to sleep all day in her favorite arm chair she occasionally consents to go outdoors, though on the whole she does not approve of outdoors in winter. If we ignore winter, she argues, it might go away. But she has her hardy moments. She has laid out a sort of ski run on the roof, from which she has a habit of descending, in a cloud of snow (weather permitting) when someone opens the kitchen door. For a cat of Petunia's dimensions this is about equivalent to a man jumping off the roof of a six-story building. It at least proves, she says, that she isn't a sissy.

Nature vs. man

WHILE THE human race tries to improve itself—not always with success but I believe it does try—we must not forget that other

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forms of life are working on the same problem. We humans live longer than we used to and are healthier. At the same time a man in Illinois has developed a nine-inch earthworm which is fond of sugar, corn meal and coffee grounds. He employs this creature to fix up compost for him, but there is no telling what other ideas it may get into its head. The Bureau of Entomology and Plant Quarantine reports that a breed of flies is developing which may be immune to DDT, since those who are susceptible to this chemical die before they have had children. The truth is that we never get more than one jump ahead of Nature. The Illinois earthworm may soon be demanding its coffee served in a china cup in bed, and raising Cain if its wishes are not gratified. And the common house fly may not only learn how to resist DDT but develop a steel frame so that he cannot be successfully squashed. We humans must be careful if we intend to remain lords of the universe.

Sliding down hill

I LIVE beside an old lane in which, in winter, there is no automobile traffic. All during the snowy months children have been sliding down that lane, at a speed of perhaps eight miles an hour, and climbing back up, at a speed of perhaps one mile an hour to slide down again. While I have been watching them, airplanes have been flying at supersonic velocities and automobiles have been traveling our cleared roads at a rate of 50 or more miles an hour. The children often ride in automobiles and some of them doubtless have ridden in the planes. But they still like to slide down hill, and this fact gives me faith in a sort of continuity in life.



Should birds go by plane?

I AM WONDERING if that robin with the injured wing that was flown south by airplane in January will be flown north again in April, or will get back under his own steam. His name is Joe, it may be recalled, and he hailed from Malone, N. Y. I felt a little uneasy about the episode, not so much on Joe's account, for he needed assis-

tance, but because if one bird travels by airplane other birds might want to do so. In time this might lead to all birds of the migratory sort having to be hauled around the hemisphere twice a year. A better way might be to provide elderly or invalid birds with small individual motors and propellers. Thus the first spring robin would still be a surprise.



Cars of olden days

I WENT to an automobile show recently, and was interested in the designs and the prices at which the cars had been made to sell. There was a Panhard-Levassor, originally to be had for \$8,250; a Cadillac, complete with one cylinder, for \$900; an Orient Buckboard, also with one cylinder, for \$400; and a Sears Auto Buggy for \$475. The dates of manufacture were, respectively, 1901, 1903, 1906 and 1908. In fact, this was a museum, set up not far from where I live by a robust tenor who collects old cars when he is not singing or rehearsing. My wife, who accompanied me, was rather taken by the Orient Buckboard—it seemed so cute and manageable. A lot of old memories stirred inside us. I recalled my first automobile ride—an excursion of a few blocks in an affair owned by C. C. Warren of Waterbury, Vt. One got into the rear seats of this car from behind, and it did 15 miles an hour if it did a mile. One man in our town a little later owned a White Steamer, and we boys used to gather around him when he started off; we didn't wish him harm but if he were to be blown up by the boiler under the seat we desired to be present. A motorcar was an adventure in those days. In getting them cheaper (all things considered) and putting them to everyday use we have lost the old excitement. We got into our own 1942 model, which will be an antique before long, and drove tranquilly home. We never doubted the engine would keep running.

Jimmy at the throttle

JIMMY COLCLOUGH, aged 11, of Canastota, N. Y., rode the Empire State Express from Albany to Syracuse the other day. He rode in the

cab and engineer Amos Hurley let him hold the throttle. This was Jimmy's reward from the New York Central for finding and reporting a broken rail and so preventing a wreck. Jimmy's pictures, published in the press, showed him as pleased as punch. I was pleased, too—almost as much as Jimmy. I had suspected that a modern boy wouldn't be satisfied with running a locomotive. I was afraid nothing less than the controls of a trans-Atlantic airplane would suit him. But if Jimmy's face told the truth a boy still sees magic in a locomotive, and somehow that comforts me. If later he warns an air line of a hurricane it didn't know was there and is permitted to pilot a plane as a reward I won't mind.



Baby-sitting on trains

I AM ONE of those people who quite often sit down in trains and try to read their newspapers and presently become aware that the small child in front is standing up on its seat, beside its adoring father or mother, and staring at me. Sometimes it wants to get some sort of game going. It may expect me, for an hour or more, to keep popping up from behind my newspaper and then popping back in again. It may wish me to make faces, which I can do. Or it may be frankly puzzled by the kind of face I have when I am not trying to make any. I love babies and small children (especially my grandson, Butch) but I sometimes wonder what etiquette demands of me on these occasions. Is it my duty to amuse another person's child while that child's parent sits idly by? Or do I have a right to get behind my own newspaper and stay behind? I would like advice from other persons who ride on trains.

Tit for tat

SNOW IN California this winter has understandably annoyed the citizens in the Golden State. I wonder if they would feel better if the northeastern seaboard would put on a little earthquake—not enough to do any damage, but just for the record. I think we should do all we can to promote good feeling between the two sections.

THE MAN WHO WANTED A Zoo



IN Traverse City, Mich., a kid can look at a bear. How come? Mainly because a business man once decided that his town should have a zoo and an aquarium, and then worked to make his dream come true.

Not every community can boast of a zoo, but most can point to some worth-while community project that local business men in one way or another have helped to put across. In Wisconsin Rapids, Wis., you'll find a library . . . in Ponca City, Okla., an educational camp . . . in Huron, S. D., a hospital.

Some projects are virtually one-man affairs. But most are the result of men working together—making arrangements, rounding up local dollars, and riding herd until the job is done.

It's this spirit of teamwork that builds good communities. And it's this same spirit that is the mainspring of your chamber of commerce. For business men have found that by working together they can accomplish much for the welfare of the entire community.

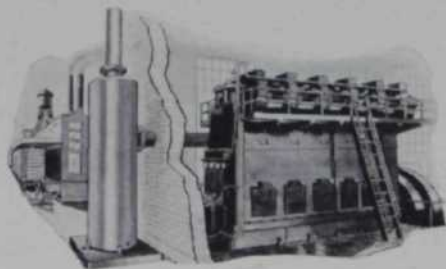
YOU will find it easier to participate in such projects if you work with the business and civic leaders of your community. So if you aren't already a member of the team, get in touch with your chamber officials. They will give you full information.

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